Imperial Oil Limited
Q1 2025 Earnings Call
Transcript

Friday May 2nd, 2025

Conference Title: **Imperial Oil 1Q25 Earnings Call**

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Operator: Good day, and welcome to the Imperial Oil First Quarter 2025 Earnings call. Today's conference is being recorded.

At this time, I'd like to turn the conference over to Peter Shaw, Vice President of Investor Relations. Please go ahead.

Peter Shaw: Good morning, everyone. Welcome to our first quarter earnings conference call. I'm joined this morning by Imperial Senior Management Team, including Brad Corson, Chairman and CEO, John Whelan, President, Dan Lyons, Senior Vice President Finance and Administration, Cheryl Gomez-Smith, Senior Vice President of the Upstream, and Scott Maloney, Vice President of the Downstream.

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 this conference call. Today's comments may 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 first quarter earnings release that we issued this morning, as well as our most recent Form 10-K. All these documents are available on SEDAR+ and 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 is 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 first quarter earnings call. I hope everyone is doing well and it was great to see many of you at our recent Investor Day in Toronto. As you are likely aware, this will be my last earnings call with John replacing me following next week's AGM and my retirement.

But before I leave, I'm really pleased to report another strong quarter for Imperial with earnings of $1,288 million, which represents an increase of earnings per share by 13% year-over-year and by 6% on a sequential quarter basis. This represents our highest-ever first quarter earnings in the company's history.

We also generated free cash flow of $1,150 million and into the quarter with nearly $1,800 million of cash on hand. So that puts us in a very strong financial position, and as you may have seen in the release this morning, we intend to renew our normal course issuer bid later this quarter. So while there is ongoing volatility and commodity prices, I remain very confident in our ability to grow shareholder value over the long term.

Our Upstream assets contributed solid production for the quarter, just shy of the record first quarter production we posted a year ago when adjusting for the divestment of XTO Energy Canada. Improved egress, continued to support narrower heavy oil differentials than we've seen in the past and especially during the winter months. And this in turn supported our price realizations.

Our Downstream business delivered once again with strong margin capture in a recovering crack spread environment. This business continued to benefit from many durable competitive advantages, including integration, proximity to feedstocks, and market efficient logistics, and our strong market position. Over the next few minutes, Dan and I will detail the results of this strong quarter.

So now, let's review the first quarter results. And as I just noted, earnings for the quarter were $1,288 million with cash from operating activities of $1,760 million when excluding the impact of working capital. Again, this represents our highest-ever first quarter earnings. Now that sounded so good the first time, I just had to say it again. These results reflect the strength of our integrated business model and our ability to capture value for our shareholders.

In the Upstream, we achieved total production of 418,000 gross oil equivalent barrels per day in the first quarter. Volume was supported by higher year-over-year production at Cold Lake, including continued strong results at Grand Rapids. We also utilized our enhanced winter operating procedures at Kearl to manage through the extreme cold weather conditions in February. Syncrude production was steady year-over-year.

In the Downstream, refinery throughput averaged 397,000 barrels per day, which equates to a refinery utilization of 91% while petroleum product sales averaged 455,000 barrels per day. Renewable diesel project construction continued at the Strathcona refinery, and we are on track to start up mid-2025.

We paid $307 million in dividends and finished the quarter with nearly 1,800 million of cash on hand. We remain fully committed to returning surplus cash to shareholders in a timely manner and intend to renew our normal course issuer bid shortly towards the end of the second quarter.

And 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 quarter. We recorded net income of $1,288 million, up $93 million from the first quarter of 2024, primarily driven by higher Upstream margins. When comparing sequentially, first quarter net income is up $63 million from the fourth quarter of 2024, primarily driven by higher Downstream margin capture.

Now, shifting our attention to each business line and looking sequentially, Upstream earnings of $731 million are down $147 million from the fourth quarter, primarily due to lower volumes. Downstream earnings of $584 million are up $228 million from fourth quarter, mainly reflecting higher margin capture. Our Chemical business generated earnings of $31 million, up $10 million from the fourth quarter.

Moving on to cash flow. In the first quarter, we generated $1,527 million in cash flows from operating activities, excluding unfavorable working capital effects of $233 million. Cash flows from operating activities for the first quarter are $1,760 million, up $239 million from the first quarter of 2024. We ended the quarter with $1,764 million of cash on hand.

Shifting to CAPEX. Capital expenditures totaled $398 million in the first quarter, about $100 million lower than the first quarter of 2024, driven by project timing. Our full year outlook remains consistent with our previously issued guidance. In the Upstream, first quarter spending focused on sustaining and growing production at Kearl, Syncrude, and Cold Lake. In the Downstream, first quarter spending mainly included continued progress on a renewable diesel project at Strathcona.

Moving to shareholder distributions. This morning, we declared a second quarter dividend of $0.72 per share, consistent with our first quarter dividend. A reliable and growing dividend remains the foundation of our free cash flow distribution strategy. We also remain committed to returning surplus cash to shareholders, and as Brad noted, we intend to renew our annual NCIB share buyback program in June.

Now I'll turn it back to Brad to discuss our operational performance.

Brad Corson: Thanks, Dan. I know you've all had a chance to look through the numbers, but I do want to focus your attention on some of our key performance highlights. Upstream production for the quarter averaged 418,000 oil equivalent barrels per day. Production was down 42,000 barrels per day versus the fourth quarter and down slightly or 3,000 barrels per day versus the first quarter of 2024, which, as you may recall, was a record first quarter when adjusting for the XTO divestment. And so off to a strong start for the Upstream. We typically do see lower volumes in the first quarter on a seasonal basis versus the back half of the year. In addition, we managed through some extreme cold weather this year in February.

So let's move on and talk specifically about Kearl. Kearl's production in the first quarter averaged 256,000 barrels per day gross, which is down 43,000 barrels per day versus the fourth quarter and down 21,000 barrels per day versus the first quarter record previously set in 2024. While Kearl got off to a strong start in January, extreme weather conditions rolled in for most of February. Conditions we haven't seen since the winter of 2022.

We utilized our enhanced operating procedures, including deliberately slowing down volumes to manage through these extreme weather conditions. And I'm happy to report that Kearl materially improved relative to the first quarter of 2022 under similar harsh conditions when total gross production averaged 186,000 barrels per day. That said, we did experience some unplanned downtime in March that impeded a faster recovery.

We managed through that as well, and April was a very strong month with production very close to our best-ever April production record of 300,000 barrels per day gross. So despite lower volumes year-over-year, I continue to be very proud of the Kearl team for their hard work, their resilience, and overcoming adversity, and we continue to have great confidence in Kearl and our plans to grow volumes further and continue to lower the unit cash costs, as you heard us detail at Investor Day.

A good example of our continued efforts to optimize Kearl is taking place this month. In May, we're conducting the planned turnaround at the K2 train. The planned turnaround will start next week and is scheduled to be completed by the end of May. And per our corporate guidance, the expected volumetric impact for the year is around 9,000 barrels a day. Following this year's turnaround, we are targeting to run the K2 train for four years, double the previous interval with the next planned turnaround in 2029.

Moving to Cold Lake. For the first quarter, Cold Lake production averaged 154,000 barrels per day, which is down 3000 barrels per day versus the fourth quarter of 2024 and up 12,000 barrels per day versus the first quarter of 2024, primarily driven by Grand Rapids and partially offset by production and steam cycle timing. New advantaged solvent-assisted SAGD production is enabling transformation at Cold Lake with higher production at lower unit cash costs.

Our first quarter results bear that out. Grand Rapids solvent-assisted SAGD production continued to exceed expectations with a quarterly average production of 23,000 barrels per day, supporting Cold Lake's volume, but also improving its unit cash costs, which decreased by over $3 US per barrel compared to a year ago. This is exciting and gives us great confidence in future solvent-assisted SAGD developments, as well as achievement of our production and unit cost goals for the asset.

Just last week, we started the planned turnaround work on the Mahkeses plant at Cold Lake. Speaking with a team, the work is progressing well and is expected to be completed by early June with a full year volume impact of 3,000 barrels a day. The next transformation of the Cold Lake asset is the Leming SAGD project. Construction is materially complete now with commissioning progressing throughout this quarter. We are anticipating first steam to be injected this summer with first production following later in the year. The Leming SAGD project is anticipated to produce an additional 9,000 barrels per day at peak levels.

I also wanted to provide a brief update on the EBRT pilot at our Aspen lease. We recently reached a key milestone with successful drilling of the three horizontal well pairs. As a reminder, we are constructing the pilot project this year and next and then intend to start up in early 2027. EBRT is a transformative new technology that could be applied to our significant undeveloped in situ oil sands resource base to achieve low cost, lower emission, volume growth for decades to come.

Now, just a few comments on Syncrude. Imperial's share of Syncrude production for the quarter averaged 73,000 barrels per day, which was down 8,000 barrels per day versus the fourth quarter of 2024 and flat versus the first quarter of 2024. During the quarter, as a result of unplanned downtime, Syncrude continued to utilize the interconnect pipeline to import bitumen and gas oil, ensuring the upgrader remained full and producing about 15,000 barrels per day, our share of incremental Syncrude suite premium in the quarter.

Moving on to the Downstream. We refined an average of 397,000 barrels per day, reflecting a utilization of 91%. This compares to 407,000 barrels per day a year ago and 411,000 barrels per day in the fourth quarter. Lower throughput in the first quarter reflects some additional maintenance conducted in our Eastern manufacturing hub. We're conducting two planned turnarounds here in the second quarter at both Strathcona and Nanticoke as we laid out in our corporate guidance outlook.

As a reminder, we have our final plan turnaround at Sarnia later this year, straddling the third and fourth quarters. And finally, we expect a complete construction on the Strathcona renewable diesel project facilities shortly here in the second quarter with unit start-up plan for mid-2025. Petroleum product sales in the quarter were 455,000 barrels per day, which is down 3,000 barrels per day versus the fourth quarter of 2024 and up 5,000 barrels per day versus the first quarter of 2024.

And turning now to Chemicals. Earnings in the first quarter were $31 million, which was up $10 million versus the fourth quarter. Earnings in the quarter were down $26 million versus the first quarter in 2024, primarily due to lower margins and the aromatic segment shift to the Downstream, which we announced effective the third quarter of last year.

In closing, this was another strong quarter and I'm very proud of Imperial's positioning for the future. It has been an honor for me to lead Imperial as Chairman, President, and CEO for nearly five and a half years. I could never have imagined that my journey, our journey would encompass both the most challenging conditions in the company's 145-year history during the pandemic but then followed by several record-breaking achievements both operationally and financially, with the best years in the company's history.

I am confident that Imperial will continue to thrive and achieve even greater success in the years to come. I'm also very excited to see our investment decisions coming to fruition. Most notably, Grand Rapids that is exceeding expectations, autonomous haul trucks and other reliability and production enhancements at Kearl, and our Strathcona renewable diesel project that is scheduled to start up in the coming months. And these are just a few.

From my first day at Imperial, I have been consistently impressed by our team, and over the past five years, I've been continually reminded of the exceptional quality of our people. Their ingenuity, their drive, resilience, and focus are evident every day as they work tirelessly to improve our business and provide critical energy supplies to society.

The results of this great team have been reflected in our ability to deliver exceptional shareholder returns, and that commitment remains unchanged. I'm extremely proud of what we have delivered for our shareholders in terms of share price appreciation, dividend growth, and returning surplus cash through share buybacks.

I'm also pleased to welcome John Whelan, who is anticipated to succeed me as Chairman and CEO at our upcoming AGM next week on May 8th. As I mentioned at Investor Day, John and I have known each other for over 20 years, and our paths have crossed multiple times. He has worked under my leadership twice during my 42-year career, and we have worked together on multiple leadership teams.

John is returning to Imperial after serving as Senior Vice President of ExxonMobil Upstream Company since 2020. And prior to that role, as many of you know, John served as Imperial Senior Vice President for the Upstream from 2017 to 2020. With his extensive experience, I'm confident that John is the right person to lead Imperial into the future.

So as always, I'd like to thank you once again for your continued interest and support and wish you all the best in the future. And although I won't be leading any more of these earnings calls, rest assured, I will be listening and celebrating the company's continued success.

And now we'll move to the Q&A session. So 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 all the questions. So with that, operator, can you please open up the line for questions?

Operator: Thank you. If you would like to signal with questions, please press Star One on your touchtone telephone. If you're joining us today 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, if you would like to signal with questions. And our first question will come from Greg Pardy with RBC Capital Markets.

Greg Pardy: Yeah. Thanks. Good morning. And look, absolutely great chapter, I think in Imperial's history. And Brad, just all the best to you and of course, welcome John. Again, two very different questions, but maybe just on the operations side, I was curious the Downstream numbers looked really good.

And I know you alluded to some margin capture. I'm just wondering if we could dig in a little bit more into perhaps where you captured additional margin in the Downstream in the first quarter maybe versus others.

Brad Corson: Yeah. Thanks for the questions, Greg, and great to hear from you after seeing you at our investor day. We talk extensively about the value of our Downstream, the value of integration, the advantages we have structurally here in Canada. All of those have contributed to our success here in the first quarter in the Downstream. But since we got Scott here, maybe I'll ask him to make a few more comments on what's unique here in the first quarter.

Scott Maloney: Yeah. Thanks, Brad. We've certainly leveraged a lot of those structural advantages, as Brad mentioned before, to place our barrels in the highest uplift opportunities both on the eastern and western part of Canada. And that's structurally what helped us deliver these stronger numbers this year. We've also had some volatility in the marketplace. And that volatility gives us some opportunity for placing those barrels in the highest uplift opportunity. And as you see in typical first quarters, as the quarter goes on, you start to see some maintenance activity from a turnaround perspective start to play in the last part of the first quarter. And that also enables some additional margin in the Downstream business.

Greg Pardy: Okay. Thanks for that. And a completely different question. I mean, with the renewal of the NCIB, the last number of years has been really acceleration into the second half of the year. How are you thinking, especially just given a pretty sloppy oil price backdrop? Is the thinking that you'd accelerate or that you would perhaps execute it over a one-year timeframe? Or is it all to be determined?

Brad Corson: Yeah, it's a great question, Greg. And there's no doubt there's a lot of uncertainty in the market. What you're [inaudible] with this first quarter results is the strong resilience that we provide with the integrated nature of our business model coupled with just the underlying strength of our assets. So that allows us to maintain consistency in our strategies and avoid having to make fundamental changes.

And with respect to the NCIB, obviously, we're going to monitor what those external factors are. We're in a very strong cash position right now. We have no reason to believe that's going to fundamentally change as we move to the second half of the year. And so consequently, we'll be taking a decision as we go as to what's the right pace. But as you point out, over the last couple of years, certainly, it's been our behavior, our approach to accelerate the NCIB.

And really a key driver there is this underlying principle of we want to return surplus cash to shareholders in a timely manner. And so accelerating the NCIB in the past has given us that flexibility. And as we look to the future, we'll continue to make those assessments, whether that is appropriate or not. And I don't want to get too far ahead of myself or ahead of John and the rest of the leadership team.

But one of the reasons we've accelerated in the past is to give us flexibility for an SIB if that was necessary to further return surplus cash. So still a lot of uncertainty several months ahead for the year. But what you can count on is we will be returning surplus cash in a timely manner.

Greg Pardy: All right. Thanks very much and good luck.

Brad Corson: Thanks, Greg.

Operator: And our next question will come from Manav Gupta with UBS.

Manav Gupta: Good morning, Brad. I think a lot of investors would echo that IMO today is a much stronger company than it was five years ago. I think if you look at the stock price itself, exactly five years ago it was below $21. So the stock price appreciation is clearly reflecting the good work that you have put in.

My first quick question here is, as we look at – I mean, there's a lot of focus on Kearl cash costs. But if you look at Cold Lake cash costs, again, down about like 18% year-over-year. Now you obviously have Grand Rapids doing better than expected and Leming coming on later in the year. So how should we think about the cash cost at Cold Lake for the rest of the year and maybe more importantly for 2026?

Brad Corson: Yeah. Thanks for the comment, Manav, and thanks so much for the words and recognition of what the whole team has accomplished, which is obviously reflected in our share price. And that has very much been a collective effort of this great organization and team that have surrounded and supported me over the last five years.

With respect to your question, I'm glad you called out Cold Lake. We have talked extensively over the last years about Kearl because we've been on an important journey to get Kearl to $20 a barrel. We've achieved that now. We're working quite diligently to get Kearl to $18 a barrel. But what's been progressing in parallel to that is a really important strategy to improve the structural costs at Cold Lake as well. Grand Rapids and SA-SAGD as a technology is a key enabler because it fundamentally is our lower cost barrels that we're bringing on.

As I noted, compared to a year ago, Cold Lake's cash costs are down $3 a barrel. And this is all on our journey as we talked about at Investor Day to get us to $13 a barrel. So as the year goes on, we're going to continue to strive for further improvements, continued Grand Rapids success, and strong volume performance will contribute to that. And then certainly, as we start up Leming, those are lower cost barrels as well. And so those will further support this journey to $13 a barrel.

So several months ahead of us. But the strategy is that we are continuing to work on our cost structure really across all our assets, but specifically here at Cold Lake, and Grand Rapids, Leming, everything we're doing with these new developments are targeted towards lower cost. So I feel quite good about that. I don't know that there's really anything else I would add at this, but watch this space because it's really exciting what the team is doing at Cold Lake.

Manav Gupta: Perfect. My quick follow-up here is you have a unique refining system. You're levered to the East Coast crack, Chicago crack, even the West Coast crack. We are in a relatively tougher macro environment. And I just wanted to understand from you, from your refining system, have you seen any signs of recessionary demand kick in? Or the markets, are you supplying to – the underlying demand remains relatively resilient even if the macro seems choppy. So if you could help us with that.

Brad Corson: Yeah. Thanks. I think it is a good question. I think I continue to come back to our resilience. We have a diverse customer base. We have broad infrastructure across the country. And all that allows us to take full advantage of the highest value markets that we see. We have not seen any material degradation in demand. There are always seasonal variations in all of our products but nothing that I would say is particularly noteworthy at this point.

And then also contributing to that is when you look at product inventories across the country they – not specifically for us, but for the industry and globally, those inventories are at the lower end of the five-year band. So all that contributes to strength in the marketplace as well.

Manav Gupta: Thank you.

Brad Corson: Thanks, Manav.

Operator: And our next question will come from Dennis Fong with CIBC World Markets.

Dennis Fong: Hi. Good morning. Thank you for taking my questions and I'd like to reiterate my congratulations on a job very well done to you, Brad, and an incremental welcome to John.

My first question focuses a little bit on the Upstream side. I was hoping you could provide a little bit of incremental data points or clarity that really drive the confidence at running four-year intervals between major maintenance. As well as can you discuss some of the changes in either equipment or operating procedures that allow you for maybe more minor maintenance to be conducted that has moderate or little impacts to output?

Brad Corson: Yeah. Thank you, Dennis, and appreciate your comments there at the beginning. It's an exciting journey we've been on with turnarounds at Kearl. If you think about where we were just a few years ago, we were conducting two turnarounds per year and then moved to one turnaround per year. And now over the last couple of years, we've reduced the duration of each of those turnarounds. And as I mentioned, we're getting ready to start one of those turnarounds here next week. And we expect to complete it essentially in the same month, which historically, we would've never had turnarounds limited to just one month in a year.

But as we look to the future, we see this as integral and key to continuing to improve our volume performance and fundamentally our cost performance as well. We are planning after this turnaround to be in a position that we can run much longer between turnarounds and targeting four years. But with that, I've got Cheryl right here. She's right in the middle of this strategy and spent a lot of time with the current [inaudible], as they've refined that approach and demonstrating to her with confidence that this is achievable. But maybe I'll let her talk a little bit about some of the details.

Cheryl Gomez-Smith: Sure. Thanks, Brad. As Brad mentioned, we've been on a journey to optimize our turnaround activity this year. We are spending time to do the work that'll support this further extension to a four-year interval. So what's made the difference? And what I would say, along this journey, we've been integrating technology, really looking at our data and analytics to make better decisions. We've been benchmarking, continuing to leverage those global learnings.

And then one of the things that you heard during Investor Day is, I mentioned that we're sitting on a foundation of a continuous improvement mindset. And especially when I think about turnaround activity and how we optimize that, it's really focusing on driving clarity and a relentless focus on what needs to be done in a turnaround versus what we can do outside of a turnaround. So there's not a single item there. It's a mix of all of those enablers that are really going to get us from where we are right now to this four-year interval.

Dennis Fong: Great. I really appreciate that incremental clarity. My second question here is maybe targeted to Brad and maybe John. Through time, Imperial has acted opportunistically and even countercyclically in terms of spending or deploying capital, especially as compared to some of your peers. Given the combination of the balance sheet strength that you see today, the longer duration view that Imperial takes on investment cycles, how are you strategically thinking about potentially taking advantage of all the uncertainty we see today in the market?

Brad Corson: Yeah. Thanks for that question. And certainly, that has been our strategy in the past of ensuring that we are optimizing our capital, how we target specific projects, and really focused on highest return. And I take that part of your underlying question is really about M&A type opportunities. And as I mentioned in the past, the aperture has always been open, but the bar is high because we have a very high quality portfolio today. And so anything we would pursue would have to compete with that.

And so I don't expect that's going to fundamentally change. But John is here, and he'll be steering the ship now in the future. And so maybe I'll let him talk a little bit about that.

John Whelan: Yeah. Thanks, Brad. No, and I think it will not fundamentally change. I think first, maybe I should say I'm really humbled and excited to return to Imperial in this role. And as a Canadian, to have the opportunity to lead this company with such a long, proud Canadian history of over 145 years, truly is an honor. I also – and I would echo many of the comments that were in the questions and opening remarks today that I recognize I have some really big shoes to fill coming in behind Brad.

As he's mentioned, we've known each other for over 20 years, and I know what a great leader and a great person he is, and Imperial's performance under Brad has been outstanding. And I'm committed to making sure that we continue that outstanding performance going forward. And I'm committed to ensuring our shareholders and stakeholders and employees are proud to be a part of and associated with this company.

But what you'll see under my leadership, Imperial's strategy to win will remain very consistent. And it's really about increasing cash flow and delivering unmatched industry-leading shareholder returns. And that focus will be the same. It'll be on maximizing the value of our existing assets, targeted optimization, and continued structural cost improvements.

It's going to be investing on select growth opportunities within those assets like enhancements at Kearl and Cold Lake and Strathcona. And then progressing some future strategic growth when we think about our in-situ business and continuing to assess opportunities as the energy transition landscape evolves and then utilizing technology and so on to take advantage of that and our relationship with ExxonMobil.

So you'll see a very consistent strategy, which I think has been a successful strategy as we go forward. I'll be working very hard to leverage our competitive advantages. I think we have advantages that others do not have around technology, around scale, integration, execution excellence, doing the right thing, the right way to a high standard each and every time. And what

Brad talked about, our people. We've got the best people, the best team in the business with world-class capabilities built up over generations through rigorous development and challenging cross-functional assignments that really do give us the best people in the business.

So the way I look at it is we're going to take those competitive advantages that are unique to us, apply them to our advantaged assets and opportunities, and that's going to deliver leading value creation and unmatched industry-leading shareholder returns going forward. So I'll just use that opportunity to say that.

I also want to say thanks to Brad and the whole team here who've been very gracious with their time onboarding me over the last month and a half or a couple of months, and we've had a very structured, thoughtful, rigorous handover. So thank you.

Operator: And our next question will come from Menno Hulshof with TD Cowen.

Menno Hulshof: Good morning, everyone, and congrats to the both of you. I'll start with a question on the February cold snap. It sounds like opening in your opening comments, Brad, it sounded like things went reasonably well under the circumstances. But were there any additional learnings that came out of that beyond what was learned in 2022? And do you have any new ideas on work that could get done to mitigate downtime related to extreme cold going forward?

Brad Corson: Yeah. Thanks, Menno, and appreciate your question. And I'm going to turn it over to Cheryl in a minute, but I would just reflect on this February was a challenging February from a weather standpoint. But as I mentioned, we learned from the 2022 incident around what were some operating improvements we could put in place. We developed some additional protocols, which now we put in effect and really leveraged them to get us through a similar period this year than what we saw in 2022, but with much, much better results.

And so while I would say it was unfortunate that the net result was still lower volumes compared to last quarter or last [inaudible], I'm quite proud. And I think it further demonstrated the strength of those protocols. But as always, there's learnings and insights and we're going to continue to strive to be better in these situations when they occur in the future. And so maybe I'll ask Cheryl to comment a little bit on some of those insights that we gained and how we're going to learn from those in the future.

Cheryl Gomez-Smith: Sure. And thank you, Brad. And maybe a little bit of start. The cold weather protocols, we exercise extreme weather conditions. So think of this 25 degrees Celsius minus 35 degrees Celsius. And what we do is reduce throughput aligned with our equipment strategies and focus on maintaining equipment integrity. February 2025 was in the Fort McMurray region, one of the highest number of extreme cold days versus 2022. We applied the learnings from 2022, and the protocols worked as intended.

And Brad mentioned, of course, we've – from a production with April, very strong month with production just below our best ever, still on target to meet external guidance. In terms of what comes next, and that's a great question. Going forward, we're looking at where can we build capacity and redundancy. And I mentioned during IR Investor Day some of the things that we're doing with our hydro transport lines. And what that allows us is to further strengthen this performance going forward to "weather the storms."

Menno Hulshof: Okay. Thanks for that. Oh, sorry, I think my phone cut out. I think I'm interrupting.

Operator: No, go ahead, sir. You're still open.

Menno Hulshof: Oh, okay. Terrific. Yeah. So maybe – yeah, thanks for that. It was very helpful. Maybe I'll just – second question is on the EBRT pilot that was touched on in the prepared remarks. Could you maybe just expand your comments on the scope of the pilot, and I guess the more important piece is the key deliverables that you've identified that ultimately constitutes success? And then how are you risking the overall chance of success of EBRT, ultimately I suppose being a catalyst for Aspen sectioning?

Brad Corson: I'll let Cheryl comment on that again.

Cheryl Gomez-Smith: Sure. So as Brad mentioned, we're constructing a short-term small-scale pilot, and this is to test the commercial potential of our enhanced bitumen recovery technology. Aspen lease in the Fort McMurray area, start-up in 2027. And we're going to run the pilot for several years. And there's three key areas that we really need to validate. One of them is the production uplift. The second one is around overall recovery. And then the project itself is really dependent on solvent recovery. The pilot is intended to de-risk these technologies, and this is a step that we've taken with all technology.

So as highlighted before, this is a transformative technology and it will allow us to be more globally competitive, capitally efficient, and highly resilient. So even though we are looking at this, we need to take the time, and this is a staged approach really to de-risk the technology. So that's the time we'll be taking with the pilot going forward.

Menno Hulshof: Thank you. I'll turn it back.

Operator: Thank you. And that does conclude the question and answer session. I will now turn the conference back over to Peter Shaw, Vice President of Investor Relations for closing remarks.

Peter Shaw: Thank you. And so on behalf of the management team, I thank you for joining us this morning. If there's any further questions, please don't hesitate to reach out to anybody on the investor relations team. We'll be happy to answer your questions. And with that, I'll add one more thank you to Brad for his time over the last five and a half years at Imperial. And we wish everybody on the call a great day. Thank you.

Operator: Thank you. That does conclude today's conference. We do thank you for your participation. Have an excellent day.