# Suncor Energy Second Quarter 2024 Financial Results Call

# Wednesday, August 7, 2024

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**Operator:** Good day and welcome to the Suncor Energy Second Quarter 2024 Financial Results Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker, Suncor Energy's Vice President, Mr. Troy Little. Mr. Little, the floor is yours.

## Introduction

Troy Little

***Vice President of Investor Relations, Suncor Energy Inc.***

Thank you, operator, and good morning.

Welcome to Suncor Energy's second quarter earnings call. Please note that today's comments contain forward-looking information. Actual results may differ materially from the expected results because of various risk factors and assumptions that are described in our second quarter earnings release, as well as in our current Annual Information Form, both of which are available on SEDAR+, EDGAR, and our website, suncor.com.

Certain financial measures referred to in these comments are not prescribed by Canadian Generally Accepted Accounting Principles. For a description of these financial measures, please see our second quarter earnings release.

We will start with comments from Rich Kruger, President, and Chief Executive Officer, followed by Kris Smith, Suncor’s Chief Financial Officer. Also, on the call are, Peter Zebedee, Executive Vice President Oil Sands; and Shelley Powell, Senior Vice President Operational Improvement & Support Services.

Following the formal remarks, we’ll open up the call to questions.

Now, I’ll hand it over to Rich to share his comments.

## Opening Remarks

Rich Kruger

***President & Chief Executive Officer, Suncor Energy Inc.***

Thanks, Troy. Good morning. Following a strong first quarter, our second quarter was about execution and momentum. Execution of major turnaround activities and momentum in targeted improvement areas. Kris will detail the quarter here in a few moments, but I'll start with some color commentary beginning with a recap of our May 21 Investor Day.

May 21 was about unveiling today's Suncor and its ambitions. A company committed to consistently deliver high performance. May 21 was also about backing up our words with a growing list of proof points to build trust and credibility: trust in our company and credibility in our management.

In terms of key messages, I'll highlight three. First, with across the board improvements in a 100-plus thousand barrels a day of increased production, we intend to grow free funds flow by greater than CAD 3 billion per year by 2026. Second, aligned with stronger performance, we're now allocating 75% of excess funds to share buybacks and have increased our net debt target for moving to 100%. Third, with growth from within existing assets and a wealth of long-term internal options, there will be no significant capital directed to new bitumen development in the next five years.

Lastly, on May 21, we discussed culture. Competitive, results-oriented, high performance, a culture being institutionalized within Suncor today. I'll turn to the second quarter starting with safety where we continue to achieve exceptional results, particularly impressive with high turnaround activity and seasonally high number of contractors on site. Our safety performance is a credit to our people, processes, priorities, and site leadership.

I'll move on to reliability. Kris will detail the second quarter; I'd like to reflect on the first half. Refining throughput in the first half was 443,000 barrels a day, up 62,000 barrels a day or 16% from the first half of last year. It represents our best first half in company history and our second best second quarter in company history. The results were driven by a 95% overall utilization rate in the first half, versus 82% in the first half of last year; achieved despite major turnarounds at both Sarnia and Montreal. Edmonton, our moneymaker, had its best ever utilization of 107% in the first half. Refined product sales in the first half were 588,000 barrels a day, up 57,000 barrels a day, or 11% from the first half of last year. Again, the best first half in company history and the best second quarter in history. The first and second quarters were back-to-back record highs for refined product sales.

Upstream production, the first half, 803,000 barrels a day, up 61,000 barrels a day or 8% versus the first half of last year. Again, the best first half in the company history and second best second quarter in our history. Multiple asset-specific records were set, but I want to highlight one particular noteworthy accomplishment. Upgrader utilization at 94% in the first half, with a very impressive 99% at the Base Plant, despite turnarounds completed in the second quarter.

And for context on our upgraders, our OpEx on upgraders are about $6 to $7 a barrel Canadian. These behemoths print money. We get a value uplift of about $15 a barrel US, so every 1% increase in utilization adds about $20 million a year in free funds flow. Last

year, we had a record annual utilization of 92% for the full year. And at the first half of this year, we're at 94%, despite the Syncrude turnaround activity.

So, summary, our first half reliability was exceptional. Again, it's a credit to our people, their expertise, their focus, teamwork, and determination.

Profitability. Kris will cover overall profitability shortly. I would like to comment on one aspect of it, cost management. In the first half of 2024, total OS&G, all-in, top to bottom, $6.6 billion, down $270 million or 4% versus the first half of last year. That's positive enough. However, in the first half, as I mentioned, upstream production was 61,000 barrels a day higher; refining throughput, 62,000 barrels a day higher; and refined product sales, 57,000 barrels a day higher than the first half of last year.

Higher absolute volumes, lower absolute costs, operating leverage. In fact, every segment of our business, upstream, downstream, corporate, operated at lower absolute and/or unit costs in the first half of this year, versus the same period last year, every segment. Cost management is about discipline and accountability, attention to detail, a mindset that every dollar matters, a checkbook like mentality. At today's Suncor, we don't spend money like it's our own. We spend it like it's someone else's and we are accountable for every dollar we spend. A disciplined, determined, cost-conscious culture.

I'll move to the second quarter. During our May 21 review and on previous earnings calls, we detailed numerous improvement plans. I'll provide an update on a few this morning starting with turnarounds. I previously described or stated that the second quarter would be our biggest turnaround quarter in 2024, with about 80% of the year's activity planned. Recall, we spend about $1.2 billion per year on turnarounds across the upstream and downstream. And in North America, we have not benchmarked well on both cost and schedule.

In the third quarter of last year, we formed a dedicated turnaround organization and assigned ELT-level accountability with Shelley Powell and Dave Oldreive. So, the second quarter's complete, how did we do? Four big events, two upstream, Syncrude, Base Plant; two downstream, Sarnia and Montreal. We completed in aggregate all of our turnarounds on budget and a whopping 10% shorter in duration. 10% equates to roughly 20 days, 8 days of additional downstream throughput, 12 days of additional upstream production.

At Sarnia, $150 million event, the largest in its history, and it was $5 million under budget. Montreal, a $32 million event completed in 48 days, 13 days ahead of schedule and $7 million under budget. And our post turnaround capacity at Montreal has been 105% of nameplate. Syncrude, $450 million gross event. The 8-3 coker was complete in 57 days, 9 days less than our previous best ever. Base Plant, $370 million work scope, completed on budget and five days ahead of schedule.

Our teams delivered across the board safety, cost, schedule, and then restart. The impact, we added nearly $20 million in free funds flow in the second quarter versus our budgeted plan performance. How do we do this? Benchmark targets, risk-based work selection, quality planning and execution. Clarity, focus, accountability and determination. Internally, 2023 was about achieving stability and predictability in turnaround performance. 2024 has been about improving work scope and duration. And you may recall, on May 21, Dave outlined capital cost reduction target of $225 million to $250 million per year in turnarounds by year end 2026. 2024 has provided us another proof point through improved work scope and shorter duration, and our next target now is extended intervals between turnarounds.

I'll move to the second area of targeted improvement, mining. Peter said it much more eloquently than I did on May 21, or than I will. But our mining strategy in a nutshell is fewer trucks, bigger trucks, autonomous trucks operated better, maintained cheaper. We've said before, we have 55 new 400-tonne trucks on order arriving, and they will replace twice as many smaller, less efficient third-party trucks. The first 22 are in operation, that's 6 more than our last call. 15 more will arrive at Fort Hills through November, and the final 18 will be at Base Plant in the fourth quarter of this year and the first quarter of next year. Last week, I sat behind the wheel of one of these bad boys at Fort Hills, and I got to tell you, I was ready to drive it into the mine. But sadly, Peter concluded I wasn't qualified. Recall, in total, these 55 new trucks will lower our overall corporate breakeven by saving more than $300 million a year in operating costs.

We've talked about autonomous previously. Our fleet conversion continues at Base Plant. Today, we have 70 large haul trucks operating autonomously, that's 14 more than our last call. By the end of the year, we'll be at 91. Our North Steepbank mine, the ore movements are now fully autonomous; and Millennium is ramping up. We are moving 80% of all Base Mine ore autonomously now. Our original target was 100% by year end. We will beat that target. Savings, $1 million per year, per truck, plus productivity gain. In total, $175 million annually by 2026 with expanded autonomous operations, as outlined in our May 21 review.

You may have noticed we've had increased commentary lately on in situ. We have achieved growth with back-to-back record quarters. In fact, we've set record quarters four of the last seven in our in situ operations. An example, at Firebag, we're up essentially 10,000 barrels a day year-on-year with no growth investment. At today's prices, that's more than $100 million per year in additional free funds. So, how are we doing this? Steam reliability, produced water piping, site water management, and infield drilling SOR management. Again, attention to detail. Firebag is our lowest cost, most profitable asset with growth potential.

I was on site at Firebag in June. What did I see? I saw a team focused on facility utilization and low cost debottlenecking. The latest example I'll share is a $1 million modification to add diluent stripping capacity to increase bitumen production, adding a fifth pressure safety valve adjacent to the existing four. This simple add, one valve, will increase bitumen rates by 3,000 to 5,000 barrels a day per year. I saw a pictures of this work early this morning. The new equipment being installed could fit in the back of my son's pickup truck. And the best part, this modification will be operational this month. A $1 million investment will deliver an additional $50 million per year in free funds.

This example is representative of the focus within our operations across the company today, a laser like focus on asset utilization, industrial engineering, challenging historic norms, testing facility limits, and safely modifying operating parameters. Identifying opportunities, capturing value, then immediately asking what's next. The result is low cost or no cost barrels, free barrels upstream and downstream. So, whether it's turnaround, execution, mining improvements, in situ growth, or other areas, these are tangible examples of today's Suncor, focused, competitive, results-oriented.

With that, I'll turn it over to Kris.

## Quarter Highlights

Kris Smith
***Chief Financial Officer, Suncor Energy Inc.***

Great. Thanks, Rich, and good morning, everyone. I'll now provide a brief overview of the financial and operating performance in the second quarter, beginning first with the business environment in the second quarter, which continued to remain very robust. Crude oil prices improved across the board versus the first quarter, with WTI averaging USD $81 a barrel, light/heavy differential narrowing by USD $6 a barrel to average USD $14 a barrel, and the synthetic premium improving by USD $10 a barrel, averaging a USD $3 premium to WTI. On the refining side, 2-1-1 cracking margins decreased slightly, with softening of diesel cracks, partially offset by strengthening gasoline cracks. Our 5-2-2-1 refining index was USD $26.70 a barrel, which is about USD $9 a barrel below Q1, driven primarily by strong crude oil pricing, resulting in higher feedstock costs, along with softer cracking margins.

As Rich noted in his comments, we continue to see strong operational performance across the board. Along with strong turnaround performance in the quarter, Suncor's upstream delivered production of 771,000 barrels per day in the quarter, including 55,000 barrels per day of production in our E&P segment, and record second quarter Oil Sands production of 716,000 barrels per day, which included record quarterly production at Firebag of 234,000 barrels per day. Fort Hills also had another strong quarter, producing 167,000 barrels per day. And consistent with our original plan outlined in the fall of 2022 and our current annual production guidance, production in the second half 2024 is expected to be lower than the first half, as we will be moving more overburden as we open up the North Pit. Overall, we remain very pleased with the progress and the focus of the Fort Hills team on delivering against our improvement plan.

Total internal synthetic crude oil and bitumen transfers averaged 63,000 barrels per day in Q2, demonstrating our ability to leverage our physical integration to maximize value and mitigate the impacts of turnarounds. This included 45,000 barrels per day of bitumen transferred from Fort Hills to Base Plant upgrader.

Now, with respect to the downstream, refining utilization was an impressive 92% in the second quarter, including impact of planned turnarounds at Sarnia and Montreal, with the refining network running at over 100% utilization following completion of those turnarounds. This supported refined product sales of 595,000 barrels per day, surpassing the previous record set last quarter by 14,000 barrels per day. Downstream margin capture was also an impressive 99% in the quarter on a LIFO basis when compared to Suncor's 5-2-2-1 refining index.

On the back of this strong operational performance, disciplined cost and capital management, and a supportive business environment, Suncor delivered another quarter of solid financial results, generating $3.4 billion in adjusted funds from operations or $2.65 per share. In the first half, that translates into $6.6 billion in adjusted funds from operations or $5.11 per share. Our laser focus on costs continued with total operating, selling and general expenses of $3.2 billion in the quarter, which is down over $250 million from Q1. Second quarter costs were essentially flat with Q2 2023 when adjusting for the restructuring charge taken last year related to our organizational downsizing, and at the same time delivering 29,000 barrels per day more upstream production and 36,000 barrels per day more downstream throughput. As Rich said earlier, that's what we call operating leverage.

We also had a decrease in non-cash operating working capital in the quarter of approximately $400 million, primarily driven by higher accounts payable, as well as timing of commodity tax and royalty payments. As for capital, it was $2 billion in the quarter, driven primarily by planned turnaround and maintenance activities, as outlined by Rich, across the assets, as well as continuing work on key economic projects like the Base Plant cogeneration project and the Fort Hills North Pit extension. And our capital program remains on plan for the year.

As a result, we generated $1.4 billion of free funds flow or $1.05 per share in the quarter. And aligned with our revised capital allocation framework announced in May, returned $1.5 billion or $1.19 per share to our shareholders, including $698 million in dividends, plus $825 million in share repurchases. For the first half, that means we've already returned $2.5 billion to our shareholders this year via dividends and buybacks. And as of this call, year-to-date, we have bought back over 2% of our shares.

Our net debt ended the quarter at just under $9.1 billion, which is down $500 million versus the end of prior quarter, and also included $100 million increase from changes in foreign exchange on our US dollar denominated debt. This reduction is consistent with our plans to continue to reduce net debt toward our $8 billion target as we laid out at our recent Investor Day.

The second quarter was a very strong one from every perspective – safety, operations, cost and capital discipline, and financial performance, resulting in strong financial returns for our shareholders, and which is a reflection of the continued focus and execution by the teams across the business. Looking forward, the Suncor team is fully focused on delivering the improvements laid out in our May 21 investor update. And as can be seen by our second quarter results, accelerating that plan wherever possible and driving shareholder value.

And with that, I'll hand it back over to Rich.

Rich Kruger
***President & Chief Executive Officer, Suncor Energy Inc.***

Okay. A couple comments before we get to your questions. First, full year guidance. Second quarter is complete. It's halftime and team Suncor is looking good, folks. Upstream production, we are tracking above the high end of our guidance. Refining throughput, we are tracking above the high end of guidance. Refined product sales, again, tracking above the high end of guidance. OS&G and CapEx, we are tracking within or better than guidance. Now, that said, we know we've got a second half to go and we're going to play it out till the final whistle.

We've repeatedly stated that today's Suncor is a new Suncor, strategy changes, structural and cultural changes, tangible improvement plans and performance proof points, lots of them. We have a clear, comprehensive roadmap and a determination to win. Personally, I come from a long line of hard working, early to bed, early to rise farmers. And at the crack of dawn, my dad would often say, get up, son, you make hay while the sun shines. Well, the sun is shining on this company and we plan to make hay in the second half of the year.

With that, I'll turn it over to Troy.

**Troy Little:** Thank you, Rich. I'll turn the call back to the operator, to take some questions.

## Q&A

**Operator:** Thank you. [Operator Instructions] And our first question will come from the line of Greg Pardy with RBC Capital Markets. Your line is open.

**Greg Pardy (RBC Capital Markets):** Thanks. Thanks, good morning. And thanks for a very energetic and detailed rundown. I was hoping to come back to the turnarounds that, as you laid out went extremely well. But, Rich, could you or the team maybe point towards some specific examples as to what you're doing differently now that are working?

**Rich Kruger:** Absolutely, Greg. Thanks. Yeah, I'm going to turn over to Shelley Powell, because Shelley, along with Dave, are really the ones who are the prime movers driving the performance improvement here. Shelley, you want to offer some comments about what's different?

**Shelley Powell:** Yeah, I'd absolutely love to talk about turnaround. So, I think that, as Dave mentioned during the May 21 Investor Day and then Rich reiterated this morning, certainly improving our turnaround competitiveness is a major opportunity for us. And we know this because we have the benchmarks front and center. And when we look at those benchmarks, what we see is an opportunity to both shorten the duration of our events that are too long, and also improve our overall cost performance and bring costs down. So, to answer your question, maybe let me give you an example in each of these areas of some of the things we're doing differently.

So first, the biggest lever when it comes to shortening events is quite simply to do less work. And when we looked in the past, some of our own inspection processes and standards were preventing us from doing this. It required us to open and inspect certain pieces of equipment at very specific and defined time intervals, regardless of how that piece of equipment might have been used. So, as a bit of an analogy, maybe think of taking your car in for an oil change every four months, regardless of how often you drove it. So, now, what we're doing is taking a much more specific approach, looking at each piece of equipment, looking at how it was operated, the conditions that it was exposed to, and then really deciding on the best inspection approach, up to and including really kind of giving ourselves a tough question around what would it take to inspect this equipment offline and keep it out of the turnaround window entirely? So, this is a new approach to what we call risk-based inspection, and it's allowed us to take a fair amount of work out of the turnaround without adding any additional risk. That's been a big win for us.

Maybe a second example on the cost reduction side. This is an area where technology has really helped us. In our spring events, we use drones to complete refractory and stack

inspections that were up at higher elevations. And just one of our events, this reduced and eliminated close to 3,000 hours that would have traditionally gone to building scaffold to get up to those heights. So, this is an example that I think really delivers on all fronts. First of all, it means fewer people in our units, fewer exposure hours. And from a safety perspective, we really like that. It means reducing overhead costs. And as we get more efficient on this type of routine inspection over the long term, we also have the ability to shorten events. So, now that we've got these benchmarks in front of us, we know exactly where to focus. And that's what we're doing.

**Rich Kruger:** Thanks, Shelley.

**Greg Pardy:** Okay. Yeah, understood. Now, thanks for that. And maybe just to completely shift gears, Rich, you've talked about a number of the assets, Firebag, Base operations and so on. With Syncrude, there's been good success, I think, with the bi-directional pipelines. But are there any further synergies that you'd see there on a go-forward basis?

**Rich Kruger:** Yeah. I think there are, Greg. In fact, I'd say, broadly, we see synergies across the entirety of our asset base. And now, with Suncor being in the operating position with Syncrude, that the natural networks of people and sharing of ideas is just more – it's real time. And we've moved people into the Syncrude operation and out of the Syncrude operation to our other business, and so that network of expertise keeps expanding and that creates synergies at a fundamental operating level with safety. The bi-directional pipelines certainly have helped there. But I think we're seeing synergies across the board. I don't know, Peter, do you have anything else you'd add, a specific example?

**Peter Zebedee:** Well, I think – certainly, Greg. When we look at Fort Hills and Aurora and their proximity, I mean, you can throw a baseball between the two sites, so there's some obvious synergies in terms of us operating both of those assets that we're looking to do. But maybe just to reinforce Rich's comments earlier, you know, regardless of how close the assets are, we believe our competitive differentiator really is the interconnectedness of our sites. So, whether that's Fort Hills to the Base Plant, Syncrude and Firebag connects, etc., we're really looking to optimize and improve those as we go forward.

**Rich Kruger:** And I think, Greg, I'd just add to that. And you're seeing that in the upgrader utilization where, previously, Syncrude, as an example, was mine connected to upgraders; and anywhere you had planned or unplanned work, there was an impact on it. Now, with this interconnectedness, we are able to maximum run these upgraders just like, conceptually, like the refineries where they're connected to multiple sources of feedstock. And I commented on the added – the value of every 1% utilization. And so you know, we will achieve a record high utilization this year, following upon a record high utilization last year. That's money in the bank.

**Greg Pardy:** Yeah. Understood. Thanks very much.

**Operator:** Thank you. One moment for our next question. And that will come from the line of Dennis Fong with CIBC. Your line is open.

**Dennis Fong (CIBC Capital Markets):** Hi, good morning. Thanks for taking my questions and congrats on, obviously, a very strong first half. Looking forward to kind of what the second half and 2025 looks like. My first question maybe directed maybe towards Peter a little bit more. You've talked a little bit from Shelley as well as in your opening

remarks about technology and implementation. I just wanted to run back towards Mine Connect one of the, I guess, inhouse-developed pieces of technology that you are using to help track efficiency of the trucks. Can you talk towards maybe some surprises you've seen in terms of the mining fleet efficiency, also maybe coupled with, obviously, the addition of these ultra-class trucks that you're adding into the field?

**Peter Zebedee:** Yes. Sure, Dennis. Happy to do that. And I think, to start with, it's my belief that transparency of data and perform – really drives performance. So, with Mine Connect it's simply a tool that aggregates the data across our sites, so we can see how Fort Hills is doing relative to Base Plant, to Syncrude, etc. And that drives a little bit of internal competitiveness, but it also gets down into the details. And the key to driving improvements in the upstream in our mining business is really around efficiency, and particularly the efficiency of the ultra-class haul truck fleet.

So, we can drill down on a shift-by-shift basis how fast these trucks are operating, how many tonnes they have on per load, etc., etc., and even drill down into the individual operator performance. Actually, we shared with Rich last week just an example of a scorecard that we've developed for operators, in terms of relative performance, safety performance, truck productivity performance, etc. So, it sets up that data transparency, internal competitiveness, and a structural way to drive improvements, a targeted way to drive improvements.

I think what you're seeing on the OS&G costs that we've demonstrated year-to-date is really the starting of the manifestation of our truck strategy. Buying those more trucks, driving efficiencies in scale, driving efficiencies in our operations, and really starting to get right-sized for the material movements that we have today. So, we're going to continue to do that. As Rich said, we've got a bunch more units that are up or coming in over the remaining six months of this year and into the first quarter of 2025, and we're going to continue to drive the efficiencies with the scale of those trucks that we're bringing in.

**Dennis Fong:** Great. I appreciate that color there, Peter. Shifting gears to the downstream side. Through the quarter, obviously, very strong runtime, but also fairly good capture in terms of margin. I was hoping you could provide just a bit of an update in terms of some of the marketing initiatives, as well as management of inventory and global marketing of crude that you've been implementing just, I guess, as Dave has been spending some more time at the company.

**Rich Kruger:** Dave isn't here in the room with us today or I'd turn it over to him.

**Dennis Fong:** Yeah.

**Rich Kruger:** But Kris, you want to go ahead and comment on that?

**Kris Smith:** Sounds good. Hi, Dennis. Thanks for that. Yeah, I'm going to pinch-hit for Dave and put on my old downstream hat on this quarter, but your question is obviously broader than that just in the marketing of crude and I think that kind of touches on TMX. But before I go there, I mean, you raised the point that we had market capture of 99% in the quarter. And really, when we have that type of market capture, I think it demonstrates the various elements of our downstream business and how we go to market and the underlying strength of the assets.

I mean, we have strong utilization, as we noted, particularly Edmonton set a quarterly record, which helps us also with channel mix. And then, because of our position both

domestically and within our branded channels and our export capability, our ability to capture margin across the value chain, and we're seeing strength in our branded channels, both retail and wholesale, and then the strength of our logistics and marketing activities are also allowing us to export records amount of distillate, too, and clear the market. So, even though we're running at high utilization and there's –it's a distillate long market in Western Canada, as an example, we're able to move those barrels and capture that margin.

And so, that underlines our market –that market capture number, and we're continuing to build on that logistics capability both domestically, as well as taking advantage of TMX. You would have heard Dave talk at the last call about TMX. And when that asset came on, we viewed it as just another great opportunity within our logistics network to expand our reach to different markets. And we don't just take the product to the dock and sell it at the dock, we actually actively market into the end markets themselves and capture the arbitrage. And for that reason, we've taken some positions with some time charters as well.

We're really pleased with what we're seeing there. It's definitely adding value, and just another demonstration, I think, of, as Rich says, there's integration and there's Suncor integration. And you kind of look at our platform on our downstream business all the way from that rack, all the way through domestic branded channels where we have best-in-class in Canada, along with now our reach obviously outside of Canada. And lastly, with inventories, we carefully manage those inventories. We would have had a, obviously, a buildup and a drawdown through Q2 as we prep for the turnarounds. And that was another component to that market capture we saw in the quarter.

**Rich Kruger:** Dennis, if I could just add to that a couple of comments. There's a lot of research out there on refined product demand pre-pandemic versus now. And to give you a couple of examples, we've mentioned how we've set back-to-back refined product sales records for the company.

And on gasoline, for example, in North America, kind of the walk-in round number pre-pandemic, the gasoline demand's down about 5% from the second quarter, first half of 2019 versus today for the market, we're up 5%. Diesel demand, depending on how you rack it up, is about flat or – pre-pandemic to now, we're up 10%. Jet, the – still recovering. Global demand for jet, down a few percent from pre pandemic. We're on pace for an annual record high. In fact, we're up about 15% from pre-pandemic.

And I would attribute these results to kind of three factors. Our strategic relationships or partnerships, our logistical reach and our understanding of the market and ability to capture opportunities, and then getting right back to the reliability of our base business that provides value to our customers. So, we talk a lot about upstream and downstream operational. Our supply and marketing teams are focused like a laser equally on adding value, and I think you see that in the results.

**Dennis Fong:** Great. Really appreciate the color from all of you. I'll turn it back.

**Operator:** Thank you. One moment for our next question. And that will come from the line of Neil Mehta with Goldman Sachs. Your line is open.

**Neil Mehta (Goldman Sachs):** Yeah. Good morning, Rich and team. Very, very strong results. And maybe that's where I wanted to start, which is, the progress that you continue to make on driving down net debt. You're at CAD 9 billion. And so, I'd just love your

perspective on how you're tracking towards that CAD 8 billion target. Is middle of next year still the best bogey that you could provide or could – is there the potential to pull that forward and just any perspective around how you see the cadence of deleveraging from here?

**Rich Kruger:** Well, I think, Neil, if you just step back for a second, kind of take market out of it. In some weeks, we're excited about what the market conditions are, some weeks we're not. But if you kind of strip that out, the operational performance, when we laid out the May 21 kind of the business plan, we said, if you turn the crank, the numbers will spin out the middle of next year, but we are focused on beating that.

And I think there was someone on the call who said something about maybe a Christmas present or no better Christmas present than year end. We're looking at all the levers to do that. And many of those levers are just our base performance. And when we put that business plan together that we reviewed, we benchmarked it off of 2023 in all areas: upstream, downstream, volumes, cost. We are performing better than what we showed you on May 21.

Now, there's a long way to go. We're certainly not declaring victory. But when I look at that, if market factors aside, that tells me that we're looking at pulling that forward and I'm having increased confidence that those things that we can control, we will be pulling those that bring that net debt target forward. There's still a second half of the year to go, market plays a big factor in it, but quite pleased with the fundamental performance of the organization on those factors that we can control that could accelerate that hitting that target.

**Neil Mehta:** Yeah, thanks, Rich. That's really helpful. And then, just to follow-up on how you can pull that forward, asset sales become part of the potential mechanism to do that. And then, the other swing in the calculation, of course, is how we should be thinking about working capital. So, your perspective on those two line items would be great.

**Rich Kruger:** I've talked a little bit about asset sales in the past. Those things that are kind of core to our integrated strategy and add the most value, and those assets that are that are less core but they can be quite valuable to us. So, we don't talk specifically about anything until we actually have something to talk about. But we are – we continue to look at all of our assets and the value they add to us versus the value they may offer to others. So, that could be a part of the timing on achieving net debt. And Kris, on the working capital, would you like to comment on that?

**Kris Smith:** Yeah, for sure. Hey, Neil. Yeah, I mean, good call out. When we think about the levers for us to be pulling on every dimension of the business, I mean, Rich already mentioned, think production, costs, sustaining capital. But working capital is obviously a key component of that too. So, you can rest assured that the Suncor team has a laser focus on that as well and just sharply managing that working capital. Like the others, it's a lever in our toolkit to ensure excellent execution of the business. And so, we've got our eye on that too and its contribution to cash.

**Neil Mehta:** Thanks, Kris. Thanks, Rich.

**Rich Kruger:** You're welcome.

**Operator:** Thank you. One moment for our next question. And that will come from the line of Manav Gupta with UBS. Your line is open.

**Manav Gupta (UBS):** Good morning, guys. I would like to highlight that, this is the second quarter in a row where you have pretty much beaten the Street on every important metric. So, congratulations on that. Those things tend to drive very strong re-ratings. My first question to you, sir, is that when I look at year-to-date Fort Hills cash costs, it's close to $31 and your guidance is $33 to $36. So, first of all, like, do – should we expect you to be towards the lower end or beat your guidance? And then, as these new trucks arrive, can we see a scenario in 2025 where this cash cost drops closer to $30 or even below it?

**Rich Kruger:** I think I appreciate you flagging that on the cost. What we're finding here, the volumetric effect is a huge lever on cost. And so, running at the, at or above, our guidance range, upstream and downstream, that is a big part of driving unit cost down. And we're – and as I said earlier, we're exceeding our rate of expected improvement on the volume side of it. The area that I had probably, the biggest question mark and a little bit of the uncertainty on was fundamental cost management, the discipline that it takes to – on each and every dollar. And I'm extremely pleased with the organization's response through the first half of the year. Don't declare victory. We've got a long way to go on that. But I think Peter has shared many of the examples with you on improving the mining performance, which is big. Dave's got the same kind of focus on the downstream. So, where we are tracking will be at or better than our cost guidance and that's, yeah, we've got five months of the year left, but I think that is a reasonable outlook, a reasonable expectation. Peter, you have anything else comment on maybe cost? The biggest bulk of the costs are in your area.

**Peter Zebedee:** Yeah. I would say, especially at Fort Hills, Manav, I mean, it is a good call out. We've had some really good months where our costs have been better than guidance, of course. But as we look forward for the rest of the year, we're remaining disciplined to our mine improvement plan. We're exactly on track on that. And some of the key activities involve the opening up of the North Pit, whilst we drive higher mining volumes, and hence our strategy to employ these larger haul trucks, drive efficiency in our mining operations, and maintain our unit mining cost tonnage at or better than where we have been historically. So, it's really about driving discipline, making sure that we're staying true to having sufficient mining inventory so that we have sufficient bitumen production out of that facility.

**Rich Kruger:** And I would just add, I think some of the exciting things about particularly in Peter's business, there, the steps we're taking are very tangible. You know when you convert a truck to autonomous, the costs that are extracted out of that. We know when we bring a new 400-tonne haul truck on, the efficiency and the productivity. So, these improvements are very tangible, they're independent of oil price, and they're a matter of the sequence and the pace at which we're pursuing.

What I'll tell you is we keep challenging ourselves to – can we accelerate the pace of our improvements? The conversion to autonomy, can we accelerate that pace? The – where we're a little bit at the mercy of our OEM manufacturers on the delivery of haul trucks, but we're working hard directly with them on new trucks and shovels because of the tangible nature of the improvement is money in the bank when we capture those in the – there's an urgency that Peter has created within his organization that I'm quite proud of and – because we know it can make our business better, stronger for the long term.

**Manav Gupta:** Well, thank you for a very detailed response. My quick follow-up here is, we understand you're not as exposed to the WCS differential given your refining operations, but we have seen some widening here. I'm trying to understand what your

medium – near- to medium-term outlook on the WCS differential? Obviously, TMX is running, but then you guys and everybody else would also be running much harder in the second half. So, trying to understand your outlook for the differential in medium- and near-term.

**Rich Kruger**: Well, you're spot on that our level of integration and the nature of our asset base gives us a lot of resiliency or natural hedge or cushion where we're not nearly as vulnerable as our competitors might be. But, Kris, you want to talk a bit about that?

**Kris Smith:** Yeah, sure. Absolutely, Manav. I mean, obviously, with TMX coming on last quarter, it certainly provides a structural help to the WCS differential as that additional egress is now available to the basin. That said, I mean, you're still going to see that light/heavy differential, they'll move around a little bit depending on what's going on in the market. And we saw it come in when the line came in – came on. We all expected that. And trading down kind of low-teens. It's since widened out, but that was a bunch of other factors. There was refinery outages in PADD 2 through that period of time. There was a big drawdown in inventories out of Hardisty. So, there was more product going to market. We saw a little bit of weakness in pricing at the Gulf Coast. Those things factored into the differential widening out a bit. But our view is, is that we're going to continue to see that light/heavy differential be supported in the low- to mid-teens. Will it get a bit higher now and then because of market factors? We can absolutely expect that. But it should be far more structurally supported than we would have seen a number of years ago when we would see big volatility and see blowouts in that light/heavy differential. But I think the main underlining point to all that is the one Rich just made. And just with our integrated business model, all the way from bitumen production, through upgrading, through our downstream business, refining, and then on to the customer, we're largely insulated from that type of volatility.

**Manav Gupta:** Thank you so much.

**Kris Smith:** Thanks.

**Operator:** Thank you. One moment for our next question. And that will come from the line of Roger Read with Wells Fargo. Your line is open.

**Roger Read (Wells Fargo Securities):** Yeah, thanks. Good morning. I think maybe just to come back on the cost structure here. Obviously, real good performance in the second quarter. I was just wondering, is there anything in it that was one-time in nature or a timing factor? I just – what I'm really trying to understand is, what's the new baseline of cost that we should think about? Maybe how you're measuring that and how you plan to, let's call it, maintain that for the rest of the year or lower it over time?

**Rich Kruger:** Yeah. Roger, this is Rich. There were no one-time any events or things. I think the biggest thing I'd say is we took a restructuring charge in the second quarter of last year. I believe the number is – somebody keep me honest – $275 million. And what I said in my comments is that, year-on-year, we're – in absolute dollars, we're $270 million less than we were in the first half. So, when you take out that restructuring charge, we're basically flat in absolute cost despite the much, much higher volumes across the board.

So, I think the – that's that operating leverage we talked about. And so, on a going forward basis, that's today's Suncor. That is the focus we're bringing and expected to continue with, higher reliability. You get the higher volumes, it drives down the unit cost

with the discipline, with the actions that Peter has described in the upstream, Dave has similar in the downstream, to keep the cap on costs. I mean, that's who we are.

Another way I'd offer you to look at it, just is kind of an interesting way. We added the remaining interest at Fort Hills this year, and we've offset inflationary pressures, which there are throughout our business. We did all that for free. We offset inflation, added Fort Hills barrels at no higher cost. Again, it keeps coming back to the phrase I use is operating leverage. And I think that is the thing I would say that I'm particularly continue to be pleased with is the level of focus within the organization on the goals, the objectives, what's important. And when you create focus with 15,000-plus people, you can get results, and that's exactly what you're seeing. And I see no reason that won't continue.

**Roger Read:** No, it's definitely impressive performance, that's why I was just – I want to make sure I can start thinking about it as this is the level as opposed to just a good quarter ...performance

**Rich Kruger:** If I were you, that's the way I would start thinking of it.

**Roger Read:** Okay, great. Okay. And then, the last question I had, just what's the right way in terms of share repurchases? You've hit the debt targets. If you could just reiterate for us where we should see that shake out on a quarterly basis?

**Kris Smith:** Yeah, sure, Roger. We laid that out – this is Kris. We laid that out at the May 21 update. So, we've moved to a 75% share buyback, 25% debt reduction allocation of excess free funds flow. Once we get to the CAD 8 billion net debt target, which we talked about on May 21 and a bit earlier on this call, then we're going to move ourselves to 100% shareholder return allocation.

**Roger Read:** And is there a – I guess, again, kind of getting back to Neil's question earlier about working capital. I mean, seeing that on an annual basis and then make the adjustments on a quarterly?

**Kris Smtih:** Yeah, that's exactly right. That's the way to think about it.

**Roger Read:** Okay. Thank you.

**Kris Smith:** Yeah.

**Operator:** Thank you. One moment for our next question. And that will come from the line of Menno Hulshof with TD Cowen. Your line is open.

**Menno Hulshof (TD Cowen):** Thanks and good morning, everyone. I'll start with a question on the strong beat on production. Rich, you provided a lot of detail in your prepared remarks, but could you maybe loosely quantify how much production uplift you got from faster-than-expected completion of turnarounds versus a pure outperformance of the assets? And then, I guess, the follow-up to that, and this is more a point of confirmation, but was there any maintenance activity deferred in the quarter? And if so, what was the thinking behind that?

**Rich Kruger**: Yeah, take that in reverse. We did everything in the quarter we planned to do in our business plan. So, there were no deferrals of things. So, I commented on the upstream that we had 12 additional kind of days, they weren't full days because they were parts of the assets. So, for example, Syncrude had, relative to plan, seven days of

additional 8-3 coker runtime. We – other things that – what I would say is, Peter's team to the – my pleasant surprise, as they looked at the turnaround work, said, all right, what else can we do elsewhere across the asset base to offset that? So, we were probably, what, maybe, Peter, up 30,000 barrels a day or so higher than what we might have thought that our internal plan would have been?

**Peter Zebedee:** Yeah, I think that's a fair assessment. And again, it comes back to looking at this as an integrated production system. So, we're moving our sour barrels from Base Plant to Syncrude to take advantage of some hydrotreating capacity that we have there. We're looking to, as Shelley said, really minimize the scope and execute within a well-defined window and set ambitious targets for the team that they, frankly, were able to achieve this year. So, it's kind of a – we're pulling all the levers here to get the maximum value that we possible.

**Rich Kruger**: And I think – Menno, I think one of the things that it comes back to on me, and I mentioned we were at Fort Hills last week, Firebag a few weeks earlier, is the potential of the organization. I don't think you – we could sit here on the phone today and tell you we fully understand the full potential yet because the organization continues to exceed what we think are challenging expectations. And the – and that is a lot of fun.

And you see that energy and enthusiasm. I used some of the examples at Firebag in terms of adding or debottlenecking at low or no cost. You're seeing that across the upstream and downstream. And I don't know if we'll continue to beat like we did on this quarter, but I continue to be pleasantly surprised at the organization's ability to creatively find ways to exceed expectations. And that makes for a lot of fun.

**Menno Hulshof:** Terrific. And maybe I'll just sort of continue along the – sort of continue the conversation on the turnaround side of things. Rich, you mentioned extended intervals between turnarounds as one of the next potential focus areas. What is your best guess on what that could look like and which assets are most likely to benefit first?

**Rich Kruger**: I think it comes in two areas, and this is kind of building off of Shelley's comments. As we look at individual pieces of equipment, you may have a turnaround at an upstream or downstream facility, but component parts of that turnaround, we may look at and instead of doing a three-year interval, we may convince ourselves that we have sufficient information to go five-year interval on component parts. So, that would shorten the overall duration of a turnaround but we might still have a turnaround at that facility every so often. So, that's part of it. The bigger opportunity is if we can just simply extend the intervals on entire turnarounds. I think that's a bigger question for us right now. But I think the prize, if we get into it, and I'll go back to the May 21 deck where we had kind of the target of the capital cost reduction that we believe we can achieve as we go from third and fourth quartile in turnarounds to first and second quartile, that continues to be the right – kind of the right magnitude of the prize. The added benefits that we're still quantifying is, as we have more days on production, what is that benefit. And that, I think, is a further upside to what we've shown in the May 21 deck. Shelley, do you have any other – or Peter, do you have any other comments on that? Peter, you – I saw you raise your hand there.

**Peter Zebedee:** Yeah. And we've got a couple of specific examples, Menno. And we're really looking across the entire upgrading base, and we're guided by Solomon so our strategies are rooted in benchmarking on where there are clear opportunities. There's some good examples with Syncrude of looking in at decoupling the units and looking at extending turnaround units or turnaround intervals. So, like vac tower from three years to

six years; diluent recovery units from four years to six years; hydrotreaters, three years to six years. So, we have very specific plans that are asset-by-asset, informed by Soloman, and a similar thing at Base Plant. So, I still think there's lots of opportunity in the turnaround space that we're going after. Some of these, given the intervals and the cycles, will take some time to play out in the coming years. But rest assured, our engineering teams and the site teams are really laser focused on making a big difference here. And the end result is, again, more uptime, improved safety, improved reliability, and improved turnaround efficiency, which is the bottom line free funds flow increase.

**Rich Kruger**: And just to comment on that. We've talked in the past about how we had gotten a bit lax on benchmarking. Today's Suncor is all about benchmarking. We want to know who the best of the best is, why they're better than us, and then what we can do to then close that gap and then exceed that performance.

So, I'd mentioned before that we had not participated in the most recent Solomon Survey or two. Solomon, the Holy Grail on plant benchmarking. I'm not getting any commission for plugging Solomon on this. But Shelley and Dave reached out and said, the next survey is next year, that's too long for us, we want to get in and get the most recent update of where we benchmark. And Solomon did that for us. And we had their president and their – leadership team here with us, what, two weeks ago. And we sat down one afternoon, going item by item across our business where we have room for improvement.

Yeah, I think, well, now as we take that back into our broader plans and individual facilities, I think we're going to find and identify areas to improve even beyond what our kind of our initial expectations have been.

**Menno Hulshof:** I appreciate the thoughts. I'll turn it back.

**Operator**: Thank you. That concludes today's question-and-answer session. I would now like to turn the call back over to Mr. Troy Little for any closing remarks.

**Troy Little**: Thank you, everyone, for joining our call this morning. If you have any follow-up questions, please don't hesitate to reach out to our team. Operator, you can end the call.

**Operator**: This concludes today's program. Thank you all for participating. You may now disconnect.

**[Operator concludes call]**