Superior Plus Corp. (2025 Q1 Results)
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Corporate Speakers

- Chris Lichtenheldt; Superior Plus Corp.; Vice President, Investor Relations
- Allan MacDonald; Superior Plus Corp.; President and Chief Executive Officer
- Grier Colter; Superior Plus Corp.; Executive Vice President and Chief Financial Officer

Participants

- Nelson Ng; RBC Capital Markets; Analyst
- Gary Ho; Desjardins Capital Markets; Analyst
- Daryl Young; Stifel; Analyst
- Robert Catellier; CIBC Capital Markets; Analyst
- Steven Hansen; Raymond James; Analyst
- Ben Isaacson; Scotiabank; Analyst

PRESENTATION

Operator^ Good day and thank you for standing by. Welcome to the Superior Plus 2025 First Quarter Results Conference Call.

(Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today Chris Lichtenheldt, Vice President of Investor Relations.

Please go ahead.

Chris Lichtenheldt^ Thank you. Good morning, everyone.

Welcome to Superior Plus' conference call and webcast to review our 2025 first quarter results.

On the call today we have Allan MacDonald, President and CEO, and Grier Colter, Executive Vice President and Chief Financial Officer.

For this morning's call Allan and Grier will begin with their prepared remarks and then we'll open the call for questions.

Listeners are reminded that some of the comments made today may be forward-looking in nature and information provided may refer to non-GAAP measures.

Please refer to our continuous disclosure documents available on SEDAR+ and our website.

The dollar amounts discussed on today's call are expressed in U.S. dollars unless otherwise noted.

Finally, for those of you who weren't able to participate in our Investor Day last month, we encourage you to review the related materials available on our website for more detail on our long-term plans and multi-year financial outlook.

I'll now turn the call over to Allan.

Allan MacDonald^ Thanks, Chris. Good morning, everybody. Welcome to our Q1 call.

I'm very pleased to speak with you today to share details around our first quarter results in both propane and CNG.

It was an excellent start to 2025 at Superior Plus.

Beginning with propane, our teams performed well in the quarter, focusing on serving our customers amid a relatively cold winter. Despite encountering some winter storm conditions that complicated our deliveries in some regions, we managed the situation very effectively.

Now while colder weather is indeed a welcome change, the financial performance seen in Q1 is about more than just weather.

We delivered 24 million more gallons in Q1 compared to last year, with fewer trucks and more efficient routes.

We aggressively managed our costs despite inflationary pressures and maintained our pricing discipline to ensure we keep customers for life. The changes we've made within Superior undoubtedly contributed to the strength of the results in the quarter and more than anything, offered a proof point of the value of preserving and growing our customer base over the long-term.

Additionally, while it's still early in the process, we're making good progress with Superior Delivers, which contributed approximately $2.3 million of EBITDA in the quarter in line with our plans. The value largely came from our customer growth initiatives where we're focused on offering our customers competitive pricing backed by exceptional service.

During the next few quarters, we're executing more than 20 pilot programs and phased out rollouts across a variety of initiatives.

In our cost to serve work stream, for example, we're in the process of implementing a new company-wide routing and scheduling capability that will see every route for every driver optimized to make us more efficient and help us serve our customers even more reliably. These improvements are key to enabling our customer growth initiatives and when married together, we'll see -- we will serve more customers more efficiently with less cost, enhancing customer lifetime value and long-term profitability and growth prospects for Superior Plus.

As we continue to launch pilots and rollout initiatives over the coming months, Superior Delivers remains on track to contribute $20 million to adjusted EBITDA this year and $70 million by the end of 2027.

Turning now to our CNG business.

We also had a strong quarter with Certarus growing EBITDA by approximately 7%.

We're pleased with our performance in the quarter and are maintaining our guidance for the full year.

However, with continued pricing pressure as customers become increasingly cautious about the broader economic landscape, we expect we may finish the year towards the lower end of our 5% to 10% growth range.

In the meantime we're advancing several continuous improvement initiatives at Certarus that are helping to maintain strong margins and returns.

Specifically, we're improving our driver and fleet utilization, increasing load fills and driving efficiencies within our repair and maintenance programs.

Overall, as I reflect on the quarter, I'm extremely pleased with how our teams rose to the occasion and demonstrate our ability to drive strong profits and cash flow, all while successfully executing pilots and new initiatives as part of Superior Delivers. The first quarter felt like a turning point after two years of hard work.

Our first proof point, if you will that we're becoming the company we all know we can be.

We can deliver strong results while simultaneously expanding our capabilities and building for our future.

I'd like to thank our thousands of employees for their diligent work to support our customers across North America through a very busy winter season.

Our teams are what make this company a success. They're committed to serving our customers when they need us most, keeping their homes warm and their businesses operating safely and reliably.

We are incredibly confident in our ability to generate strong returns with the right plan and the right people in place to execute it.

So with that, let's turn things over to Grier to walk through the Q1 results in detail.

Grier Colter^ Thanks, Allan. And good morning.

It was an excellent first quarter for the business across the entire portfolio and we are well-positioned for 2025.

First quarter adjusted EBITDA of $260.5 million increased 10.5%, compared to the first quarter last year, which was driven by strong results in both propane and compressed natural gas.

EBTDA per share of $0.89 increased 19%, adjusted net earnings per share of $0.66 increased by 32% and free cash flow per share of $0.94 increased by 54%, all driven by strong operating results and a share count that is roughly 5% lower quarter-over-quarter, as a result of our share repurchases. Free cash flow also benefited from lower CapEx.

Turning now to the businesses. And before going through the segmented results, I want to highlight a change we made to our reporting in the quarter. Beginning in Q1, we have rolled the contribution from our wholesale business activities into the U.S. and Canadian propane segments.

As our wholesale operation becomes integrated with our propane distribution operations, the time has come to merge the reporting to better reflect how we operate and how we think about the businesses.

Within our MD&A, we have included a breakdown of our previously disclosed wholesale business between U.S. and Canada for all of 2024 to facilitate comparability over historical periods. U.S. propane had a good quarter and generated adjusted EBITDA of $163.6 million, up 14% from last year. The growth was driven by higher volumes as well as the initial contribution from Superior Delivers.

The growth in the quarter aligned with weather in the U.S., which was 15% colder than the prior year and 8% colder than the five-year average.

Canadian propane produced adjusted EBITDA of $49.1 million, which was up 7% versus Q1 2024 primarily due to higher volumes as well as a small contribution from Superior Delivers, partly offset by the impact of a stronger U.S. dollar, which was 6% stronger than last year.

Also we didn't sell any carbon credits in Q1 2025, preferring to sell later in 2025 versus a Q1 2024 where we sold approximately $3 million of these credits. Average weather across Canada was 6% colder than the prior year and 3% colder than the five-year average.

Looking over in the next several quarters, we expect Superior Delivers contributions to continue ramping up as we execute on our plans.

However, it's worth noting that the majority of the $20 million contribution for 2025 is expected during the fourth quarter when cold weather returns and volumes increase, allowing the value from our initiatives to materialize.

In compressed natural gas, Certarus delivered a strong quarter generating $55.1 million in adjusted EBITDA, up 7% year-over-year driven by a larger MSU asset base and operating efficiencies, partly offset by pricing pressure in the oil and gas segment.

Overall, CapEx, which includes lease additions, was slightly less than expected for the quarter at $22 million but we still anticipate our full year capital spend to be in the $150 million range.

Turning to corporate results and leverage. Corporate operating costs were $7.3 million in the quarter, up from $5.5 million a year ago, due to higher incentive plan expenses and some one-time costs associated with our recent Investor Day. Note, we have not yet incurred any costs associated with achieving Superior Delivers.

We expect these charges to begin in the second quarter.

As a reminder, we expect the cost to achieve the $70 million of run rate EBITDA to be in the range of $10 million to $15 million in each of 2025 and 2026 and due to the one-time nature of these costs, they will be excluded from adjusted EBITDA.

Our leverage at the end of Q1 was 3.7x, down slightly from 3.8x a year ago. Due to higher adjusted EBITDA and the impact of a strong U.S. dollar on the translation of Canadian denominated debt, partly offset by an investment in working capital during the quarter.

We continue to expect we'll finish the year roughly half a turn lower or around 3.6x.

The investment in working capital year-over-year was largely expected, as we shifted our capital allocation away from dividends, which generated significant payables at our quarter ends, to share repurchases, which are settled daily, as well as higher receivables associated with increased sales in the quarter and this will reverse over the next quarter as these are collected.

We continued our share repurchases during the quarter totaling 6.2 million shares, or approximately 2.6% of the outstanding float. From the time we began repurchasing shares in the fourth quarter of last year up until today we have now repurchased approximately 16.5 million shares, or 7% of our shares outstanding.

We continue to believe that this is an excellent use of our capital.

At our current buyback pace, we expect our repurchases in 2025 to be somewhat front end loaded and it's likely we will reach the 10% threshold on our current NCIB in early Q3.

We will seek renewal of our NCIB in mid-November and fully anticipate repurchasing the Canadian dollar equivalent $135 million in shares laid out in our 2025 expectations.

So in conclusion, it was a very good quarter for Superior and consistent with our expectations for the business.

And with that, I will turn it back for Q&A.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Nelson Ng^ with RBC Capital Markets. Your line is open.

Nelson Ng^ Great. Thanks. Congrats on a strong quarter and good morning, everyone.

First question just relates to Superior Delivers. You mentioned that there are more than 20 initiatives that you're piloting or that's being rolled out.

Can you talk about how like in terms of the number of initiatives, how do you see that progressing in the next three or six months from now?

Allan MacDonald^ Hi, Nelson. Good morning. Thanks for joining us.

In terms of initiatives, how do we see them progressing? Well, we wanted to do this in by balancing speed and effectiveness. So it's always easy to go fast if you're prepared to make big mistakes. We try really hard to protect the stability of the underlying business.

So you want to make sure that you’re not -- we're not going to do anything in terms of asset or any reductions in the business that's going to impact our ability to serve our customers.

We don't want to make any pricing or customer facing changes that are going to impact churn or our ability to acquire.

So you always want to go carefully.

So the way that we progress through it is, we've identified opportunities within the organization and sort of quantified those to understand the size of the prize, if you will. Then we design the solution; roll it out in a pilot phase to test the assumptions.

When we see the numbers coming in as they thankfully have been that they're encouraging, we expand the size of the pilot to test it for at scale and then from there, we roll it out across the company.

So if you look at route optimization as a great example, we've -- as we laid out in Investor Day are using new methodology on how we're routing our trucks, we've seen that the impact that, that could have in design phase, we've now rolled it out to a couple of areas.

One in Canada, one in the U.S., having completed those trials and affirmed our assumptions, we're now testing it at scale and then rolling it out across the company.

So the change management that's required is very, very complex.

As you can imagine, you're rolling these tools out to 1,000 drivers that are doing millions of deliveries a year. You want to make sure that you get it right. And unfortunately, or fortunately, depending on how you look at it, I suppose, you're going to test that at your busiest time of year.

So the stakes are high. So we want to make sure we're -- we know what we're doing and they've been well tested.

That's the balance between speed and impact.

I would say you can really look at that same process across all of these initiatives.

It's really about design, pilot, scale and then implementation.

So we're going to be incredibly busy over the summer.

It's no coincidence that we're rolling it out in this way because we wanted to test as much as we can coming out of the busy season in Q1 and then roll out during the slower months through the summer, so that we're in full production mode going into Q4, which also aligns to why Grier mentioned that the majority of the benefits we're going to see this year are in the fourth quarter.

Nelson Ng^ Great color, Allan.

So just one follow-up on that. So obviously, there are a lot of initiatives on the propane side, but there's also a lot of similarities between the propane and Certarus business. Do you see any initiatives, I guess crossing over to Certarus, or is that out of scope and something that you'll explore at a later date?

Allan MacDonald^ It's funny; I got that same question at the Board yesterday.

I'll tell you what I told them. The initiatives have less application because they're so specific, but what I think has a lot of potential is we're not just executing Superior Delivers and then -- and putting the playbook away. This is really a transformation in how we work.

By the time we're finished 2026, we'll have over 150 leaders in the organization that are adept at the type of transformation methodology I just talked about in your previous question and running the business using a performance management landscape.

So if you take that same way of thinking and it's across the organization, it's not just the operators, the finance team, it's the human resources team. And as Certarus looks at the efficiency within their distribution model, they're going to be applying the same analytical tools that we used in the propane business and the same type of discipline in executing.

So I think the institutional knowledge is going to be a real asset for us. Their challenges and opportunities will be slightly different, but the way that we're going to go at them will be exactly the same.

Nelson Ng^ Got it. That makes sense.

Then just one final question before I get back into queue.

So on Certarus, obviously, Q1 is a seasonally strong period and I think you flagged there's obviously volatility in natural gas prices. There's weakness in the oil price. Like, how are you seeing demand and margins in Q2 and Q3?

Given that, I believe you will need to reallocate some MSUs current in.

Allan MacDonald^ Yes.

Nelson Ng^ Like from Q1 to Q2 in terms of moving them around from different sectors.

Allan MacDonald^ Well, I think the volatility in the market generally is beyond our control.

So we're focused on the things we do control. Number one is creating a cost structure that protects our profitability at competitive pricing.

So that's been a big focus for us.

When you have a company like Certarus that's grown so fast and so much, there's invariably opportunities to shift your focus to be much more focused on efficiency and cost management.

So that's job number one.

Then secondarily, Dale and his team are taking a fresh look at what business development opportunities they have to increase the sales funnel. Not necessarily diverting away from a particular segment or customer base, but adding more opportunities to the funnel, so we can make sure that we continue to keep our share, continue to drive those volumes up. And as more stability is introduced to the market and as the market continues to grow, we fully expect we'll see some recovery in the pricing.

Nelson Ng^ Got it. Thanks, Allan.

I'll leave it there.

Allan MacDonald^ Thanks, Nelson. Good to talk to you.

Operator^ Thank you.

Our next question comes from Gary Ho with Desjardins Capital Markets. Your line is open.

Gary Ho^ Hi. Good morning, guys. Maybe Allan, maybe just to start off, maybe some back of the last question there just on Superior Delivers, maybe can you talk about some of the wins, early wins that contributed to the $2.3 million cost saves?

What are you working on as well upcoming couple quarters?

I think you mentioned pricing, increased sales efforts, maybe a couple examples there.

It's just lastly, any data you can share on client attrition side if any post implementation of these initiatives?

Allan MacDonald^ Yes. Sure.

Well, starting with the first one, as we said, there's a couple of things actually. Coming out of last year, we're often asked about low-hanging fruit and low-hanging fruit is a real tough one sometimes to quantify.

But before we formally implemented Superior Delivers, we were working really hard on all of the main topics that you would see, taking some costs out of the business, being very mindful of retention and acquisition and just some obvious opportunities we had around things like cost reduction, we put into place late last year. They didn't have a big impact last year.

But as you see a busy Q1, invariably they're going to make a contribution.

And sometimes it's cost avoidance.

We're -- I'm really pleased that, we delivered 24 million more gallons, but I think we managed our costs really, really well in light of that.

In the quarter, the contribution was modest, but it was important.

It was things like addressing unprofitable customers. Customers that had tanks for many years, low volume might be seasonal customers getting delivery once every year or two, switching them to a rental program, so that they're meeting our requirements for profitability and we're able to still keep them as customers.

Their minimum use charges and implementing minimum use charges for some seasonal customers that we were serving, but they were unprofitable for us.

Then looking at initial views of cost to serve and addressing some cohorts of customers that were below our expectations of profitability.

So that type of -- those types of early wins were by no means done, but those types of early wins were completed kind of late last year and early this year.

When you see a high volume season, they make a bit of a contribution.

In terms of attrition, it's really early days.

We're putting a number of tools in place to address customer attrition and retention and of course the acquiring new customers and they're really going to come into force later this year and early next year.

But in the intervening timeframe, we're seeing customer numbers that aren't really indicative of the work we're doing because of what I just described.

So we've addressed tens of thousands of customers that were either inactive or unprofitable. And a number of those customers -- excuse me, had -- weren't in fact seasonal. They had stopped buying propane for one reason or another and never -- and didn't notify us.

So we went and reclaimed the tanks. That's been really helpful for repurposing those tanks and having some cost avoidance on the capital side.

But it affects your attrition numbers because it looks like a customer that's been -- that's not been retained when in fact they weren't a customer, anyway they just hadn't notified us.

So said really crassly we're cleaning up some of our inactive customers, which is going to cause our attrition numbers to go up in the short-term.

But it really doesn't have any impact on the core customer base, which we're continuing to still obviously have a very, very strong focus on.

Gary Ho^ Perfect. Thanks for the color there.

Then my second question, I'm not sure if I caught it right in your prepared remarks, Allan, you mentioned something at the lower end of your guidance. Not sure if that was Certarus related, but I did see the EBITDA for MSU down year-over-year in the quarter. Just wondering how we should think about that metric as we look out to the remainder of 2025.

Allan MacDonald^ Well, Grier will probably have a comment here, but what I would say categorically is, we're really pleased with the work that's happening right now at Certarus.

I feel like they're focused on the right things. Dale's on Board and getting up to speed very, very quickly.

We have every reason to be optimistic about how Certarus is being run and what they're focused on.

The things we don't control are the broader economic climate that's invariably having an impact on the activity in the oil sector and pricing -- aggressive pricing levels within the CNG business.

We see that as being short-term, at least I do.

But because of the things we don't control, we want to just share an air of caution that I think it would be foolish of us to be overly optimistic when there's so much uncertainty in that space generally.

But Grier, you might have a comment or two there.

Grier Colter^ Yes, maybe I'll just on the specific question on guidance and Allan's comments, Allan's comments on the guidance range that was specifically the CNG space or Certarus being a little bit lower than the center, offsetting that as we're a snick ahead on the propane side.

So that's why overall guidance, we think we're still headed towards the bulls eye.

Gary Ho^ Okay. Then Grier, while I have you, just a quick numbers question. Did see the -- you folded in the wholesale business in their respective geographies.

If you had to parse it out this quarter, can you tell me what the split would have been and is that a good indicator in terms of percentage wise when I look out?

Grier Colter^ Yes, for sure.

So Q1 2024, we provided the numbers it was around $17 million would have been wholesale around three quarters of that would have been U.S., one quarter would have been Canadian.

In Q1 of 2025, that number's a little bit lower. It's about $15 million.

The percent -- the split's a little bit different. It's about two-thirds U.S., one-third Canadian.

That's largely because we had kind of lower results out of the California market, which is a big U.S. wholesale market for us.

So probably the previous, like the 2024 split is probably a little more representative but not too far off.

But yes, I think that's the way I would describe it.

Gary Ho^ Perfect. Okay. Those are my questions. Thanks very much.

Allan MacDonald^ Thanks, Gary.

Operator^ Thank you.

Our next question comes from Daryl Young with Stifel. Your line is open.

Daryl Young^ Hi. Good morning, everyone. Just wanted to follow-up on the Certarus line of questioning. Do you have a segmentation of customers in the oil and gas space for Certarus that you might consider more at risk of say cutting guidance or cutting relationship with Certarus versus those that are, say super low cost Tier one producers?

Allan MacDonald^ Not in so far as, I could quote you chapter and verse and which segments I think everything I'm about to say qualify with, we're in very uncertain times as it pertains to oil and gas and West Texas. The traditionally as equipment gets replaced or retired, it starts with diesel, which presents an opportunity for us.

The type of equipment that we're serving with CNG tends to be the newer equipment.

So it's the last to be displaced in the market.

In terms of at normal pricing, your bigger providers invariably value the type of services that Certarus offers in terms of the value add, something that we talk a lot about but not so much on this call safety, for example, is incredibly important to the majors and we have a track record we're very, very proud of when it comes to the reliability and dynamic nature of this business, having a larger fleet means that we can be more responsive than some of the smaller providers.

But that sort cuts both ways because some of the smaller oil and gas companies have a kind of dynamic environment where that large fleet is a real asset to them too.

So I wouldn't necessarily equate the lowest price is always the smallest provider in terms of that market.

So it's not as easy to parse out from a cohort level.

What I would say is that there are very few companies that are as well-positioned as we are.

The nature of our fleet and the economies of scale we get give us the ability to be very, very competitive.

So I have no hesitation that as you see some volatility in that space, that we can continue to be amongst the most profitable and the most competitive in the sector.

Daryl Young^ Got it. Okay.

Then switching to the propane, and this is a bit, maybe a higher level question, but with some of the tariff disruption and impacts on U.S. exports of propane, does that change the dynamics such that your regional competitors maybe have better access and better supply to propane going forward and maybe some of your procurement advantages are diminished or is there anything to make of, I guess the market fundamentals for propane today and potential for more supply domestically?

Allan MacDonald^ Well, I appreciate you asking that question because in a word, no, no one has the -- maybe not no one, but certainly no regional competitors have the capability that we have in terms of sourcing and transporting propane at the wholesale level.

We're very, very proud of our wholesaling capabilities, and I think they're one of the things that make us stand apart.

I always think of it like this and Grier may or may not agree with me, but generally speaking, we sell U.S. sourced propane to our American customers and Canadian sourced propane to our Canadian customers and the cross-border opportunities invariably exist. The cross-border requirements would be in the very, very low-single-digit percent of our supply and there are options for us to be able to avoid that.

So generally speaking, I think it's fair to say that we're better positioned because of the flexibility we have with our supply and the strength of our wholesale business I think is going to be something we're really grateful we have over the next year or two.

Grier Colter^ Yes, maybe I'll just add. A lot of it be reiterating what Allan said, but certainly the retail side of the business is pretty domestic. There's no doubt about that. The wholesale side there is, it is more complicated and there would be potentially more exposure.

What we're seeing, these markets are relatively liquid, right?

So we have the ability to buy in different places. Contracts are set generally annually and they happen in the spring.

So our wholesale group renegotiated all the contracts this year with the knowledge of this -- these tariff discussions and that's been incorporated.

So what we're seeing is that any tariff impact would be absorbed by the supplier, not by us.

So what we're seeing so far is that the impact overall to our business, whether wholesale or retail is minimal to none at this point.

Daryl Young^ Okay. And no, I'm thinking more in terms of just propane exports out of the U.S. maybe staying domestically and then being in an oversupply position for propane domestically, but it doesn't sound like that will be much of an issue.

Grier Colter^ Yes, like for sure it would impact markets generally, right?

But we're -- yes, for the most part buying a spot, selling a spot and adding margin to make money on the distribution component of it.

But yes, if there's disconnect from a country standpoint, it's -- yes, that disconnect is not coming through our P&L.

Allan MacDonald^ And we're not forecasting a supply challenge based on plant exports at this stage.

Daryl Young^ Got it. All right. Thanks very much, guys.

Allan MacDonald^ Thanks, Daryl.

Operator^ Thank you.

Our next question comes from Robert Catellier with CIBC Capital Markets. Your line is open.

Robert Catellier^ Hi. Good morning, everyone.

I just wanted to follow-up a little bit on Certarus.

I'm wondering if you could speak more directly on the impact of commodity prices, particularly oil having on the activity levels of Certarus.

We've been reading a lot about Permian producers slowing down activity due to low commodity prices.

Have you seen that filter through to the operations of Certarus yet?

Or is it do you think that influence is still on the come?

Allan MacDonald^ Hi Rob, thanks for joining us.

I'll start and then let Grier jump in. Not materially yet, but we're worried about it. There's all kinds of speculation about what may or may not happen.

The oil and gas business is obviously cyclical and exploration activities.

Our recovery activities will invariably track with it.

But to-date, we're not seeing a material slowdown.

Grier Colter^ Yes. I completely agree.

I mean this would be one of the drivers in Allan's comments, just that the Certarus guidance a little bit more on the lower end.

We're just looking at the macro environment and that's a driver there.

Robert Catellier^ Yes, understandable. And just to confirm, Dale's not on the call is he?

Because I would have had some questions for him.

Allan MacDonald^ He's not on the call.

Robert Catellier^ Right. So just bigger picture then.

What opportunities do you see for Certarus to work with his former employer?

Is there any room for an arrangement that advances the interest of both companies?

Allan MacDonald^ Well, I think generally speaking, the rapid growth within Certarus, when you're looking at RFPs and you're 100 trailers oversubscribed, you tend to be very opportunistic.

One of the things Dale's bringing to the table is really understanding and underscoring the value of having strategic relationships with bigger partners in the oil and gas space or generally in any vertical.

That hasn't been an area of focus for Certarus in a meaningful way understandably.

So in his review with us over the last couple of days, that's something that he's highlighted as an opportunity for us.

So I can't speak specifically to any individual company, but what you're right on the money.

What we've identified is we've got to really explore opportunities to have much more strategic relationships with the bigger providers. Historically, those relationships left money on the table because there was more money to be made by being opportunistic.

But the world's changed and we're changing with it.

Robert Catellier^ Okay. That's helpful.

So we'll look forward to that evolving over time. That's it for me. Thank you.

Allan MacDonald^ Thanks, Rob. Good to talk to you.

Operator^ Thank you.

Our next question comes from Steven Hansen with Raymond James. Your line is open.

Steven Hansen^ At the risk of being a little too far in the weeds here, is it possible to speak to the impact variance across these 20 different pilots in the delivered program?

I'm trying to get a sense where the top five projects represent 75% of the savings or just how or whether perhaps more equally distributed. You've highlighted the road optimization a couple times, and I assume that's a key one.

But just as a broad context, how broadly split is the savings programs?

Allan MacDonald^ Yes. That's a good question. Grier will have some comments too.

But let me say yes, the bigger -- there's some big initiatives that have a bigger contribution in 2025, but a lot of these, I liken it to, it's really complex to build a car, but you can't drive it without the key.

So there are some initiatives that aren't very big, but they enable the bigger ones to be successful.

So it really, that's when I -- the risk of repeating myself.

I always say it's a true transformation and this is an ecosystem and it all has to work together. That being said, route optimization, which is an amalgam of a number of initiatives, it's things like reducing zero fills, having more efficient routes, managing, work, scheduling, things as simple as we traditionally, when we get an alert that a customer needs a delivery, we plan that three days out, so you could have an alert, make a delivery, and then on the fourth day get an alert from some -- from a customer on the same street, make another delivery.

Well we've now expanded that out to 14 days. How do we make sure that the customers don't run out of fuel?

Well we've also got predictive models that look at historical consumption, so we'd be able to predict what their consumption rate is in relation to the weather to see if we what kind of a time window we have.

So if it's critical and they're going to run out two or three days, we obviously schedule the delivery.

But if we see that they have 30 days of fuel remaining, we can schedule it in tandem with other deliveries on the same route.

So route optimization, like I say is more than one initiative.

It's kind of an amalgam. That's a big one.

Then we've got some pricing tools that we've been using in the past that we're augmenting that are also going to make a big contribution.

So that I'd say -- so the pricing, which you'll have to forgive me, I don't want to get too deep into that one for competitive reasons.

But one of our pricing programs and route optimization will be the LION's share of the contribution we get this year.

But I got to underscore we couldn't do those two things without the other 18 initiatives on the list.

Steven Hansen^ Understood. That's a good color. And just shifting back to Certarus for a moment, can you just perhaps describe some of the more recent efforts to expand beyond the wellhead again and maybe where you're at that?

I understand this leadership change there and you're sort of re-devising some of these programs, but how far advanced are you in terms of branching out beyond the wellhead today in terms of trying to, like, level load some of the MSUs you've got in place?

Thanks.

Allan MacDonald^ Yes. Well, we've done a pretty decent job over the course of the last couple of years of being -- growing beyond the well site is not a new idea for Certarus.

I would say that it's one that's -- excuse me, struggle to compete with the demand in the oil space.

You always have that, that natural tension where there's just so much business in the oil space and it makes such a big contribution.

It's very dense, it's very geographically central, so it's hard to walk away from versus Greenfield expansion, which invariably requires investment and some uncertainty. Having said that, we're doing yeoman's work right now and it's something Dale's really got a careful eye on in terms of we've got four new hubs we're looking at over the next year.

I'd say if I had to handicap it today we'll probably open at least two of those in the next 12 months. And he's continuing to look at the segments that we outlined in the Investor Day around supporting utility support and sort of pipeline support.

I think those are the two biggest initiatives we'll have.

Then we've seen some opportunities in a couple of metropolitan areas.

This goes to the earlier question about strategic partnerships.

We have one that's a bit of a strategic partnership with a pipeline company to help them with their support and collaboratively put a hub in place.

So the efforts are well underway and they'll bear fruit over the next year.

I think right now our focus is continuing to keep our sales funnel full, both in the oil patch and outside, and then getting our costs to a place where we can be as profitable as we once were at lower market prices, at least in the short-term.

Steven Hansen^ That's helpful. Thanks, guys. Appreciate it.

Allan MacDonald^ Thanks, Rob -- Steve, sorry.

Operator^ Thank you.

Our next question comes from Ben Isaacson with Scotiabank. Your line is open.

Allan MacDonald^ Good morning, Ben.

Ben Isaacson^ Good morning. Thank you very much for taking my questions. Just two quick ones. The first one is on propane.

At the Investor Day and I think in previous quarterly conference calls, Allan, you had mentioned moving a little bit towards a fixed price model just to try and kind of maximize the margin as volumes had been trending a little bit lower. My question is, can you talk about how is that progressing?

What is the uptake and what is the plan and kind of what's the goal in terms of this fixed pricing model?

Is the goal to have a quarter or half of customers on that and what type of margin differential should we expect?

Thank you.

Allan MacDonald^ Yes. That's great. Ben, I'm going to answer your question as best I can without tipping my cards to all our competitors.

I love the fixed price model.

It's good for the customers, it's good for Superior. These are good customers. They've got better lifetime value because they stay longer, they have lower churn. And frankly, it's been a strategy that's not always been broadly adopted by the industry because it doesn't give you margin management flexibility when you have some adverse pressures on the business.

Said differently, you can't raise prices on a fixed price customer in the middle of the year, which I love because it gives us great discipline.

For all the reasons I just described, we're expanding that program.

I mentioned the two big initiatives to an earlier question, route optimization and pricing.

Fixed pricing is one of those two big initiatives.

We're augmenting it to get it more in line with competitive pricing in the market.

We'll be looking to once we re-establish this program, which we're in the process of doing right as we speak literally the renewals are going out in the tens of thousands.

We're going to be aggressively trying to expand this program and make it attractive for our customers.

We think it's a competitive differentiator. There's not a lot of small companies that have the ability to buy forward contracts in the volumes that we're talking about.

So we're happy to provide this to our customers.

We think it's good for them and we think it's good for us and it secures a long-term relationship.

So I can't give you exact numbers.

I'd love to, believe me. But we like the program.

We're going to continue to drive it. Grier, I mean you're close to this too. Would you add anything to that?

Grier Colter^ No. Thanks. Perfect.

Ben Isaacson^ Great. Thank you.

Then just maybe Grier, a follow-up question for you. Corporate operating costs were $7.3 million a little bit of a bump from a year ago.

Can you just talk about the reasons for that bump and what should we expect out of that line item on a run rate basis?

Thank you.

Grier Colter^ Yes. I think we maybe gave a rough full year number for that. These were a little bit higher than they would be on a normal kind of run rate basis. Part of this was the cost to do with Investor Day which we anticipated that they would be in this quarter. They came in a little bit higher than what we had expected.

So that's really the key driver then.

They should go back to a more normalized level consistent with kind of previous years.

But yes, so it's higher.

It should go back down to more normalized level.

As we said when we produced our guidance that our expectation that it would be kind of $25 million.

So if you look at $25 million divided by 4, you can see we were definitely higher this quarter than what we expected to be. And as I say primarily that's the cost of the Investor Day.

Ben Isaacson^ That makes sense.

Okay. Thanks so much. That's it for me.

Allan MacDonald^ Thanks, Ben.

Operator^ Thank you. I'm showing no further questions at this time.

I would now like to turn it back to Allan MacDonald, President and CEO, for closing remarks.

Allan MacDonald^ Well, thanks, Daniel.

Thank all of you for joining the call today.

We're just so pleased that we're able to share some encouraging results coming out of Q1.

I couldn't be happier with the progress we're making with Superior Delivers. And as I said in my prepared remarks, I feel like this is evidence of a lot of hard work that we've been doing that was really hard to describe and quantify to all of you as we're coming through November and December and January.

But in totality, they're starting to make an impact on the business. And more than anything, I want to thank you all for your patience and your continued support because we said this was going to be a journey, but we also said that transforming Superior was a job that was going to take us being deliberate and determined and building a foundation that will set the company up to be successful for generations to come.

And if you look at the progress we've made on share buybacks on the capital structure, on Superior Delivers and even when we're focusing on Certarus, I'm really proud of the work the team's done so far.

I'm looking forward to even more progress through the course of 2025.

So thank you all very, very much and look forward to talking to you in the intervening months, and again next quarter.

Operator^ This concludes today's conference call. Thank you for participating.

You may now disconnect.