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Corporate Speakers:

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

Participants:

- Gary Ho; Desjardins Capital Markets; Analyst
- Ben Isaacson; BNS; Analyst
- Robert Catellier; CIBC Capital Markets; Analyst
- Nelson Ng; RBC Capital Markets; Analyst
- Patrick Kenny; NBF; Analyst

PRESENTATION

Operator^ Thank you for standing by. Welcome to the Superior Plus fourth quarter Results Conference Call. (Operator Instructions) As a reminder, today's program is being recorded.

And now I'd like to introduce your host for today's program, Chris Lichtenheldt, Vice President, Investor Relations. Please go ahead, sir.

Chris Lichtenheldt^ Thank you, Jonathan. Good morning, everyone. Welcome to Superior Plus' conference call and webcast to review our 2024 fourth quarter and full year results. On the call today are 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 are based on Superior's current expectations, estimates, judgments, projections and risks. Further, some of the information provided refers to non-GAAP measures. Please refer to Superior's continuous disclosure documents available on SEDAR+ and Superior's website for further details. Dollar amounts discussed on today's call are expressed in U.S. dollars unless otherwise noted.

I'll now turn the call over to Allan.

Allan MacDonald^ Thanks, Chris. Good morning, everyone. It's a pleasure to be speaking with all of you as we begin 2025 and look back on 2024. '24 was a pivotal year for our company. One year ago, it became apparent we did not have the operational capability and customer orientation to deliver growth when challenged by competitors or weather. Years of M&A had seen the company outgrow its operating capability.

We relied too heavily on increased margins. We lost touch with our customers, and growth was something bought, not earned. This was simply unsustainable. Our shareholders and employees expect better. They have every right to expect we can and will outperform our peers and grow in the face of normal market pressures. So we began a journey to change that narrative once and for all. Throughout the year, we worked tirelessly planning and staffing Superior Delivers, our transformative initiative announced in November.

Now transformation isn't easy. In fact, it's almost as difficult as it is necessary. But when you have a company with as much potential as Superior, there's no question it's the right thing to do. One of the things that makes transformation hard is time. Results never come as fast as you want. We needed to work hard through 2024 to build the superior we all know exists, but we also had to continue to serve our customers and not be taken off course by short-term challenges. But we stood fast and persevered, committed to the more difficult path, rebuilding the foundation of our company and beginning a new era of growth and profitability.

Looking forward, now I can say with pride, the green shoots of Superior Delivers are starting to show, and we couldn't be more energized about our plan for 2025 and the road ahead. We've made good progress in a short time. While the impacts may not be seen in our Q4 performance, the foundation we laid in 2024 has set us up for success in '25 and beyond. This is why we felt confident in issuing '25 guidance of 8% growth in the Propane segment, which is supported by a $20 million contribution from Superior Delivers. This $20 million in 2025 equates to a roughly $40 million improvement in our EBITDA run rate.

Now that's almost 80% of our original Superior Delivers target of $50 million achieved by the end of 2025, great progress, but we are by no means done. We see even greater potential, and we'll continue to show the same discipline going forward, focusing on building our customer base, setting ambitious targets and delivering results.

At Certarus, 2024 also saw some changes with a clear shift in market dynamics. Rising supply pressured margins and returns, prompting us to adjust our strategy. This year, we'll be scaling back capital spending and refocusing the business on optimizing the performance of our MSUs and strengthening free cash flow.

Long term, we continue to see significant expansion opportunities in new markets, but we'll continue to grow CNG and our approach will be disciplined, focused on balancing growth with delivering returns and sustainable cash flow. Beyond operations, we also made key capital allocation decisions in 2024 to position the company for long-term success. A critical decision was shifting our dividend strategy in favor of share repurchases and balance sheet flexibility. and we have acted decisively.

As of today we've invested CAD 86 million, repurchasing more than 5% of our outstanding shares. Now this shift has naturally led to some changes in our shareholder base. To our new shareholders, welcome. We're thrilled to have you on board and believe you'll share our excitement about the opportunities ahead. To those who have been with us throughout the transition, thank you. We recognize this has been a difficult period of change, but we appreciate your support as we enter what we believe will be the most exciting phase of our company's history. We're shareholders too, and we've never been more confident in our ability to generate strong returns. We have the right plan and the right people to execute it.

So thanks to the efforts of the past year, weathering a storm of unfavorable weather and some difficult decisions, we look forward to an exciting year in 2025. We have a clearly defined path to doubling our free cash flow by growing EBITDA and reducing capital expenditures, which will enable us to buy back nearly 10% of the company while meaningfully delivering our balance sheet. Grier will elaborate on the specifics, but needless to say 2025 is set up to be a great year.

Finally, in just over a month, we'll have the opportunity to present a more in-depth look at our business, our go-forward plans and a multiyear financial outlook. We look forward to connecting with many of you at our Investor Day on April 2.

Now with that, I'll turn things over to Grier to talk about our financial results and 2025.

Grier Colter^ Thank you, Alan. And good morning, everyone. The fourth quarter was characterized by some of the same challenges we encountered throughout the year, which was warm weather impacting the propane results and competitive pressure on pricing in CNG.

Looking at Q4, adjusted EBITDA of $159.1 million declined approximately $3 million relative to last year, driven by lower EBITDA in our Canadian and wholesale propane businesses, partially offset by a $4.5 million increase in CNG and a $1 million increase in U.S. propane. Despite this modest decline, EBTDA per share held flat in Q4 compared to last year due to lower interest costs on our debt and lower average shares outstanding.

Full year adjusted EBITDA was $455.5 million, representing a $40.8 million increase over 2023 -- this growth was primarily from a full year contribution from Certarus, partially offset by lower results in the propane distribution segment. EBTDA per share increased from $1.25 in 2023 to $1.27 in 2024, and this is primarily due to the accretive return profile of our Certarus acquisition.

Now looking into the businesses. U.S. Propane had a good quarter considering the circumstances and generated $85.2 million of adjusted EBITDA in Q4. That was up 1% from last year. The growth is off the back of 4% colder weather in the regions that we operate, partially offset by the impact of the small divestiture we made in Q3 2024, and that represented about $0.5 million of EBITDA impact and also the sale of various distillate assets in Q4 of 2023, which had an impact of about $1 million.

So if you look at organic growth for the business, it's actually closer to 3%, which is reasonably aligned to the weather impact. Relative to expectations, weather in the quarter was 7% warmer than the 5-year average, which was obviously warmer than we had expected. For the full year, adjusted EBITDA in the business was $218.5 million, a 2% decline, largely due to the impact of warmer weather than expected. Weather was 2% warmer than the prior year and 10% warmer than the 5-year average.

Then also the previously mentioned divestitures, which on a full year had about a $2 million EBITDA impact. Canadian Propane produced adjusted EBITDA of $29.7 million in Q4, which was down about 20% year-over-year. The decline was primarily due to the timing of carbon credit sales in this business, and this had an impact of about $5 million versus our expectations. as we accelerated some of these credits into Q1 of 2024, taking advantage of very strong carbon credit markets and then made the decision to defer selling of some of these as well into 2025 because of a current market that is weaker.

Also causing headwind in the quarter is the divestiture of the Northern Ontario assets in the prior year, which impacted about $1.2 million in the quarter and weakness in the Canadian dollar, which impacted about $1.1 million in the quarter. Average weather across Canada was 5% colder than the prior year and 6% warmer than the 5-year average, but it should be noted that it was colder in the Western region, where we have a higher concentration of commercial customers that generate lower margins.

For the full year, adjusted EBITDA was $82.3 million, a 17% decline, reflecting the divestiture of the Northern Ontario assets. As previously disclosed, these generated about $7 million in 2023. Average weather for the year was consistent with the prior year and 8% warmer than the 5-year average. But again the colder weather was showing up in the West where our margins are tighter.

In wholesale propane, fourth quarter adjusted EBITDA of $10.5 million was down 13% year-over-year, driven by weaker market differentials and lower sales volumes due to the warmer weather. Full year adjusted EBITDA was $32 million and represents a 31% decrease. The majority of this expected as we generated about $10 million of EBITDA in 2023 from unusual differentials that were not expected to repeat.

Of course warm weather being the other key factor in the results for this business in 2024. In compressed natural gas distribution, Certarus delivered a strong quarter, generating $39.2 million in adjusted EBITDA, up 13% year-over-year as our winter-related activity picked up in November and December. We ended the quarter with 842 MSUs, up about 15% from the previous year, which was the main driver of growth in the quarter. For the full year, the business contributed $148 million of adjusted EBITDA, reflecting a $77.7 million increase over 2023, primarily due to the inclusion of full year of ownership in 2024 versus seven months in 2023.

On an organic basis, this business grew roughly 7% -- overall Capex came in around $190 million, which is in line with our expectation communicated at Q3 and about $40 million lower than our original number as we drove higher capital discipline in the businesses. Turning to corporate results and leverage. Q4 corporate operating costs were relatively flat year-over-year for the full year as higher incentive plan costs were partially offset by lower management onboarding expenses related to last year's senior leadership transition. Our leverage ratio was 4.1x at year-end, up from 3.9x a year earlier. This increase aligns with our updated Q3 expectations, reflecting the impact of share repurchases in Q4 and also lower adjusted EBITDA due to the warmer weather experienced in Q4.

Now looking to 2025 guidance and expectations. Full year 2025 adjusted EBITDA is expected to increase by approximately 8% compared to 2024, primarily due to the implementation of Superior Delivers initiatives, continued growth in the compressed natural gas segment as well as the normalization of weather to be in line with the 5-year average. Our adjusted EBITDA guidance is based on the following assumptions. We are anticipating 5% to 10% growth in our North American propane business, which includes 1% to 5% growth in each of the U.S., Canadian and wholesale divisions.

In the case of the Canadian business, we have calculated this growth on a constant currency basis. If you don't neutralize for that currency, growth in the Canadian division would decline to negative 1% to 5% -- the main factor for growth in these businesses is colder weather, and we have assumed a 5-year average weather for 2025.

In addition, we have updated for the month of January, where we experienced conditions that were favorable to the 5-year average. We are also targeting $20 million of additional in-year EBITDA from Superior Delivers as our transformation program begins to generate in-year EBITDA improvement, and this has been included in the 5% to 10% growth for the total North American propane business.

As Alan mentioned, we expect to end the year with about $40 million in run rate from Superior Deliverers. There will be approximately $10 million to $15 million in onetime costs incurred in 2025 to generate the improvements associated with Superior Delivers. Some of these potentially capital in nature, but the exact split on accounting for these costs is to be determined at this point. We are expecting growth in the CNG business of 5% to 10% as we shift to a more balanced approach to managing growth and capital investment in MSUs.

Corporate operating costs are expected to be $25 million, which is relatively consistent with 2024 levels. Primarily as a result of lower CapEx in our CNG business, capital expenditures are expected to be approximately $150 million, which is inclusive of lease additions, and we expect to repurchase about CAD 135 million worth of our outstanding common shares. Bringing all this together, our 2025 plan is expected to deliver the balance sheet by 0.5 turn split between outright debt reduction and the impact of higher adjusted EBITDA.

With that, I will turn it back to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Gary Ho from Desjardins Capital Markets.

Gary Ho^ So I just wanted to start off with the Superior delivers. I know you'll provide a bit more information in the upcoming Investor Day and you've given us the $20 million guidepost. So maybe can you talk about some of the initiatives that is already underway. I think in your remarks and MD&A, you mentioned kind of improving low-margin customer contracts, reducing inefficient customer tanks, et cetera. Maybe, yes, what's your early read on this? And any customer retention risk or of those that you'd like to keep? Any comments on that, please?

Allan MacDonald^ Gary, it's Allan. Yes. I mean Superior delivers is really all encompassing. So we're making an impact on the business all the way through our operations. But as you noted, we cited some of the examples that are having an impact sort of in the short term. One of the big things that we've been addressing is as you look at your customer base and you start to rationalize it, you realize that taking in factors like delivery distance, volume and the contracts that people might be paying and then how people change over time we identified some opportunities to implement some new pricing schemes, all under the guidance, of course of wanting to retain these customers and be competitive in as many situations as possible.

So some of the examples are things like customers that were home heat users that converted to having propane as a secondary fuel supply and their volumes decreased. We implemented rental agreements or adjusted rental agreements on the facilities we have. Still good customers just need to be priced differently. Some unprofitable customers that we had for reasons of just being charged at a regional price, but geographically, where they're located, meant the cost of delivery was really high. So we adjusted those. What we're seeing right now is it's kind of a mixed bag. I think of course you're always going to see a little churn. It doesn't show up as quick as you think. With the cold weather, of course people are reliant on the service. So early days, we're pretty pleased. Of course we're testing all this. We're not just making wholesale changes.

So I'm really pleased with what we're seeing so far in rightsizing our pricing for some of the customers that were under water. Some other things we've done, of course is things like reducing inefficient tank fills, better monitoring and better route density planning and route management has been implemented, which means that we're delivering more fuel and less frequency, which is, of course going to be a big help for us.

We've got both plant and truck rationalization, which you're not going to see really show up in short-term performance measures, but that's going to deliver value for the long term. Things like introducing or amalgamating our wholesale division. So our wholesale division primarily operated with wholesale customers in the Canadian business and it's now taking over all the procurement and distribution of our wholesale in the U.S., of course serving all of our book plans across the U.S.

So here's -- these are just small examples, but there are sort of four or five of many that are all having an impact across the board. We're testing new pricing initiatives, new retention initiatives. Those are going to take longer to have an impact, but we're really encouraged by the short-term results we're seeing and looking forward to scaling those up over the next year.

Gary Ho^ Okay. That's great color. Then maybe just moving on to the Certarus Capex that's down year-over-year. I think historically, the team has a message of spending to maintain your leading market share. It sounds like there's a bit of a shift there too. So can you talk about the trade-off between maybe better economics versus market share looking out?

Allan MacDonald^ Yes. I'll add a comment and then Grier might have something he wants to add. But Gaining market share is really about growing with the segment and growing with our competition. You know this as well as I do. I mean this is a vertical, especially in the oil and gas market that grew so fast. There was a point where the waiting list for an MSU was 12 to 18 months. We did a really good job of keeping up with that growth and creating the share that we have today.

On a short-term view, so if you look out the next 12 to 18 months, we think the investment we're making right now will keep us in line in terms of where we were in the market. So we don't see a big reduction in share. Volume is going to be growing over those time periods. So it's not just an MSU count. It's really about where we're deciding to allocate those MSUs and how much of the share of the active market we're actually going after. So we're feeling really good that these growth numbers are going to be in line with where the market is right now and that we're going to continue to be at or at least very close to the share we have today.

Grier Colter^ Yes. I mean the only thing I would add is just the approach has changed a little bit. I think the previous approach of just really there was difficulty in the supply chain, getting as many of these MSUs as you possibly could. The market was growing so quickly. So it was an approach to really get as much as you can and put them into the market.

Things have changed a little bit. I think it's a little bit more of a, I would call it probably a disciplined approach, a little more cautious. Not to say that this is going to be the pathway forever. I think the ability to ramp this up if we see opportunities is there. The supply chain, as Alan said, is not nearly as tight, we can get access to more.

So if we see opportunities and we look at these and understand these opportunities as good return opportunities, then we'll do that. But I think at this point, we're just being a little bit more cautious. As I said before, I think we would just be as many as we can get of these things, just let's do that, we'll find a place to put them. So it's really just a change in the approach. As well said.

Operator^ And our next question comes from the line of Ben Isaacson from BNS.

Ben Isaacson^ Great. So when I look at the guidance, the headlines are very impressive, 8% EBITDA growth, 10% buybacks, half a turn down in leverage. In that detailed guidance, I believe in the notes, you stated that the guidance does not include the impact of tariffs or inflation or higher interest rates. Obviously that's -- tariffs are moving from a threat to a reality, maybe a little bit slower than we thought initially. But in your scenario planning for tariffs, what kind of elasticity do you expect to see in each of the divisions? And where is the threat from tariffs in each segment?

Allan MacDonald^ Ben, good question. we're -- at the highest level, we're -- our two markets are both producers of propane and CNG. So in terms of the impact of cross-border supply, we've been doing, as you would well expect, a lot of work to make sure that we have sufficient supply in each domestic market that we're able to avoid having sort of any degree of material degree at least of cross-border transport.

We're feeling very confident today that the risk of that to our business plan in 2025 is quite minimal. Through the course of the last quarter, we've also been making sure that if we had any contracts where you had a supply in Quebec that was being transported into Vermont contractually that we make sure we tidied those up so we weren't -- didn't have an exposure. And so far, touchwood, that's been well managed.

In terms of the broader economic impact, I mean anyone's guess is as good as mine, but being in the home heat and essential services business, we see that we feel comfortable that we're fairly well insulated in terms of consumer sentiment. Then from an inflationary standpoint, we're going to take that in stride and make sure that we not only manage our costs as carefully as we can, but we're going to be very prudent in passing on any price increases to customers that we don't think are sustainable.

Ben Isaacson^ Great. Then just I have a second question about those headline numbers, which I think are pretty impressive. But when I look at the share price, we're getting close to an all-time low. We know the market is forward-looking, and these growth numbers aren't really a surprise, and you came out with superior delivers a few months ago, and we'll get more info on that shortly. What do you think the market isn't buying yet and still needs time? Is it the strategy? Is it the targets? Is it the execution or maybe something else entirely?

Allan MacDonald^ Great question. One we ask ourselves quite often around here. Far be it for me to guess what's in the minds of investors, but I'll tell you some things that I'm concerned about. I mean I think there was some institutional investor rebalancing that we experienced over the last year. Of course you would know as well as I, the sentiment around things like share overhang following the Certarus acquisition. Those things all come into play. We had a lot of questions leading up to November in terms of what we're going to do with the dividend, and that always creates uncertainty when it comes to share price performance.

Then perhaps rightly so, there's a bit of wait and see. This is a segment that I think needs to do a little bit more work to earn the trust of investors. We've tried to be really cautious and not overpromising, but really be as transparent as we know how and what we think the issues are and where we're focusing. We're starting to see, as I said in my prepared comments, the green shoots of success, which we've always believed have been there, but you can't turn those on overnight. It's my sincere hope that our investors are going to start to see a renewed sense of confidence that the team and more importantly, the segment has a lot of value to offer. It's just been a matter of us capitalizing on that.

I'll tell you, the investors I meet with, and I'm sure yours, always seem to be very encouraging in terms of you're doing the right things, keep focused on running the business really well. The sector has a lot of potential, and we're excited to see where you're going to take it. So I think that is probably the best sort of example of the wait-and-see attitude we've been seeing. And hopefully, as we progress through 2025, we're going to give our investors lots to be excited about.

Grier Colter^ And -- Ben, sorry, if I could add, I think this is part of the reason why we made the switch on capital allocation and we'll be on pace to -- we obviously were pretty aggressive in the fourth quarter buying stock back, and we'll continue to go on this path. And as Alan said, we'll buy back roughly 10%. If the market is going to value the stock at CAD six then. And like all these numbers we're talking about here are U.S. So it's -- we think it's great value. And hopefully, the market has seen that through our capital allocation approach.

Operator^ And our next question comes from the line of Robert Catellier from CIBC Capital Markets.

Robert Catellier^ I just wanted to follow up on Certarus a little bit, really trying to understand your appetite to allocate capital there in light of the pricing pressure. So maybe you can answer it this way. How is the $50 billion of CapEx you're allocating to Sartorius in '25 going to be spent? So where are you adding the MSUs, -- what verticals and markets to the extent you can discuss that?

Grier Colter^ Why don't I -- it's Grier. Maybe I'll start because I have the stuff in front of me, but I'm sure Alan will have a few comments. Yes. So we've targeted kind of 25 to 30 new MSUs that of the overall kind of total capital envelope, it represents kind of roughly half, I would say. The majority of those new MSUs will be going into the utility space. That's where they're earmarked. We've got a huge portfolio of MSUs and a great opportunity to sit back and have a look at where these assets are. We believe there's an opportunity to reallocate some of them from kind of lower return areas to higher return areas.

So there's a very large inventory. If there are kind of new opportunities we have that are quite lucrative, we can pull from the suite of assets that are sitting in kind of lower return areas. And so that's the strategy. But yes, I think yes, definitely fewer, that is where those are going. And part of that was just because of the nature that was required, they were slightly different than some of the ones we had in inventory. So that's why we earmarked those. Those are largely bought that kind of 25 to 30. Those are -- sitting here today they're probably all bought. So -- Yes.

Allan MacDonald^ Rob, it's Alan. The only other thing I'd add is I remind everyone listening, these are, by their nature, mobile storage units. So they're quite dynamic. So we're looking at how much capacity we think we have in our existing fleet, and you can free up capacity by moving segments, moving geographies, having quicker turnaround, higher volume contracts versus lower and you balance all the pricing and everything.

Our ability to look at where we have some margin opportunities and capitalizing on that and then where we want to do more expansion beyond the well site. So it's not as simple as saying we don't think of it like we're buying 27 MSUs to put into utility support. We're thinking more like we want to continue to grow our utility segment. To do that and achieve our overall goal, we need 27 more MSUs.

So at the end of the year, it could turn out that on an annualized basis, we've actually put more MSUs into that space, but it might be 100 for two quarters and 10 for two quarters. So that's a little dynamic. So it's not as sort of linear as some people might think. But all that to say we think there's lots and lots of opportunity to continue to grow this business. This is just one example that we're going to be pursuing in '25.

Robert Catellier^ Okay. Another question on Centaurus side. I'm just curious how you see the recent increase in natural gas costs impacting customer demand. If you were to look at the rig count, it looks like we're not really seeing a response there in the energy sector. So maybe just a comment on how the natural gas cost is impacting margins.

Allan MacDonald^ We're not seeing a material shift in our -- in rig count or our forecast as a result of really any of the dynamics of the market over the last quarter, I would say. It's been -- it remains optimistic. But in terms of material shifts, we're not seeing anything that's really noteworthy.

Grier Colter^ And maybe I'll just add, Rob, just to make sure we're covering this. It is all pass-through, right? So higher nat gas costs, we pass through to the customers. The idea here is that we're making our margin on moving it, compressing it, moving it, decompressing it. So it is pass-through. Despite higher nat gas prices, there's still quite a lot of distance between the overall cost of diesel. So looking at it, like if our customers have dual fuel or e-fleet type equipment, powering with nat gas, there's still quite an advantage even though it has increased. So that's also important. But yes --

Robert Catellier^ And the emissions as well right?

Allan MacDonald^ That's right, for sure.

Grier Colter^ I was just focusing on the economic side, but yes.

Robert Catellier^ Yes. Last question. I'm just curious if you could elaborate on the comment about the wholesale division entering new markets. Presumably, we're talking about geographic expansion? Or are you referring to new products as well?

Allan MacDonald^ Well historically, our -- and I'll clarify my comments, Rob. Historically, our U.S. propane division effectively in-sourced their wholesale procurement. So despite the fact that we had a wholesale division, that division focused primarily on supplying our retail businesses in Canada and wholesale customers in Canada and primarily in the Southwestern U.S.

What we -- the decision we've made late last year and the transition we're into right now is that our wholesale division will now take responsibility for the wholesale procurement for the entire company. So it will be now servicing our retail needs all across the United States.

That gives us a couple of benefits. It gives us some modest improvements in our procurement. It gives us a bigger buffer in terms of certainty of supply, which in quarters like the one we're experiencing are not insignificant. But it also gives them more of a beachhead to grow from in -- especially in the Northeastern U.S. And that's a really competitive market, and we're not attributing big growth in the short term to this move. It's more of an internal capability, but it's not insignificant either. I mean there will be some opportunities coming out of our wholesale division now having a presence all across North America.

Operator^ And our next question comes from the line of Nelson Ng from RBC Capital Markets.

Nelson Ng^ Just another quick follow-up on Certarus. So do you have any -- you talked about or diversifying or adding more MSUs into the utility segment in the coming year. But do you have any additional comments on diversifying into other markets? I think you previously talked about adding more hubs, but I'm not sure whether adding more MSUs to the utility market requires hubs. But can you just talk about that in a bit more detail?

Allan MacDonald^ Nelson, Yes. I think so, if I understand your question right. So there's two things. I mean we're looking at continuing to work our business development with our business development teams on opportunities, both inside the oil and gas sector, but beyond the well site. We're seeing more and more inbound opportunities coming from the utility support vertical, if you will. That's quite widely distributed. So we can start to go after some of that market with the existing hub network that we have today. So that would be kind of point number one.

Secondarily, we've identified two, three on the outside, four or five geographies where we think there could be a good business case to expand into new hubs. In terms of the line of sight in '25, it's quite probable that we'll announce a couple of new hubs in '25. We're not ready to do that today. But in terms of them making an impact on the business in year, it's more of a 2026 business development initiative than '25.

Nelson Ng^ That makes sense. Yes. Then just to clarify on the $50 million of CapEx for Certarus, how many -- is that all going to MSUs or a combination of MSUs and Hudson? And can you just remind me how many MSUs you're adding over the next year?

Grier Colter^ Yes, for sure. Nelson, it's Grier. So think about this as, yes, so $50 million in capital, I'd say a little over half of it would be kind of new MSUs and the associated gear that kind of comes with it. So let's call that between $25 million and $30 million of the $50 million. The other two would be kind of maintenance type Capex and then earmarked for a hub or two kind of thing, as Alan said, still kind of working on the details, and we'll -- as we kind of evolve through the year, we'll be clear on that. But yes, that's the breakdown, if that's helpful.

Allan MacDonald^ Yes. The only comment I'd add about hubs, Nelson, just to follow up to my comments is don't mistake my comments for indecision. Putting a hub when you decide you want to -- you have a geography that's of interest, finding the location for the hub, working out the access arrangements with the providers, the pipeline companies and then all the zoning and planning, those are not small tasks, as you can well imagine. So it's not just a matter of us trying to decide that there's a lot of work goes into being able to establish a hub for the company.

Nelson Ng^ Great. Then, Alan, for your, I think April two Investor Day that's just over a month from now. I think now that you've given out 2025 guidance, you provide a bit of color on Superior delivers. Can you just give us a quick preview in terms of what else we should expect to see, whether it's like multiyear guidance or any color on additional info that we should expect to see?

Allan MacDonald^ Yes. I think I'm happy to. I mean start with -- I'd like you to meet the team. I like you to get grounded in how the business was actually operating. We do all these calls every quarter, and it's such a small glimpse into the business, and there's so much financial data to get through. Then, of course you have the complications of weather in the different business units, so much that all of you, I know want to ask. It will give us an opportunity to really spend a little more time explaining some of the businesses, some of the -- how we run the business.

I think one of the biggest kind of insights I've gained in my time here is just how attractive the propane segment is and why it's performed the way it has. When you understand those things, then you can really get invested in terms of, okay. So what are you as a team going to do about it? How long is it going to take? What will be the measures of success? And where are you focused?

So it would be my goal that you walk away with a much better view as to why we're doing superior deliveries, how it's focused and the benefit that we see coming out of -- from a CNG side, same thing, understanding the dynamics of the market, why we grew the way we did, primarily understanding why we think that the strategy of a balanced growth strategy and really good cash productivity there is an important one and a prudent one at this point in the development of that segment.

Then what our outlook is for the organization going forward over the next three to five years, how we see our operating objectives translate into financial performance and why that really supports the thesis that Superior is a great company to be investing in. So all that to say we really believe in the potential of the organization. I don't think we've had a great opportunity and frankly, the time to bring you all into the tent in terms of that discussion. I'm looking -- I'm really looking forward to doing that on April 2.

Operator^ And our next question comes from the line of Patrick Kenny from NBF.

Patrick Kenny^ Maybe just on the buyback, you've been repurchasing shares for a few months now on top of committing another CAD 135 million this year. But to an earlier point, the stock has not reacted favorably to this capital allocation strategy. So I'm just wondering why not reallocate that USD 100 million, call it, towards accelerating debt repayment beyond the 0.5 turn deleveraging that you're looking for this year and accelerate that timeline towards your 3x target?

Grier Colter^ Patrick, you're asking -- so the split with the free cash flow, allocating it to repurchases versus debt and you're asking why not accelerate the debt more and buy fewer shares?

Patrick Kenny^ Yes. Just reallocating that CAD 135 million towards the balance sheet instead of share repurchases, just given you've seen somewhat of a lackluster market reaction to the buyback so far.

Grier Colter^ Yes. Maybe I'll answer it this way and Alan may have comments as well. I think we think regardless of the market reaction in the short run here, we think these share repurchases are going to be great value in the longer run. So we're going to continue to do that. We also are trying to balance, obviously the management of our balance sheet, get the leverage down.

It's been an important goal for us for a while. So I think taking half a turn out is really important. I'd say incrementally, if there are extra dollars that come as a result of outperformance, either through superior deliveries or even colder weather than we have expected, I think those incremental extra dollars will go to share repurchases, not debt reduction. So if you look, we think we're doing a lot here, taking leverage down half a turn. I think if there was incremental extra dollars, it would not be going to debt reduction. It will be going to share repurchases.

Allan MacDonald^ I agree. I mean similar -- it's Alan. Similar to my opening comments, I mean you got to choose what you believe in. And Grier and I and the team came aboard, our number1 priority is what's it going to take to run the company well and make sure that this is a company that has a solid foundation and will be able to outperform its peers for years to come.

There are days when that's hard to do, a lot of short-term distractions. Similarly, when we look at capital allocation, we said we want to invest our cash wisely. We want to have a conservative and investment-grade balance sheet and not be too distracted by short-term pressures. So we're -- I think we have that balance in a really good spot. We've -- we're going to demonstrate material improvement or change to the leverage position this year, and we're investing in what we believe is very undervalued stock.

So from my standpoint, we're living our values here. We're focused on the long term and doing the right things. To Grier's point, these are not decisions you make once and never revisit. This is something we talk about on a weekly basis. And as conditions change, we're going to change with them.

Patrick Kenny^ Okay. Got it. Then, Alan, you mentioned on the propane side, the buy versus earn strategy that didn't work over the past several years. So I just wanted to check in to see if you've uncovered any smaller noncore platforms or perhaps geographies that just don't fit with your Superior Delivers initiative here and which might make more sense to let go and redeploy those proceeds towards either the balance sheet or like you said, moving into other core hubs for the company?

Allan MacDonald^ Yes. That's a really important question. One of the fundamental tenets of where we think that competitiveness and growth comes from profitability in propane is density. It's almost like the ecommerce model where the more density you have, the more disproportionately profitable your business is. When you have assets like the ones you're describing, they actually dilute your density and create a bit of a cost drag. So ideally, if you had 1,000 customers in an isolated community, they would be less valuable than 1,000 customers that were in the community you're already serving.

So we're looking at that right now. I can tell you from an early point of view, there aren't any sort of big material markets that we're in that we think we should exit or big communities that we think aren't going to be valued in the long term. That's not that's not a marketing throwaway comment. I think this team that preceded us did a really good job of buying in our markets we want to be in. So never say never. We're going through that exercise. We may find that there's some thinning out to do in terms of some of our more remote locations but nothing at this stage is screaming kind of big material changes.

Operator^ This does conclude the question and answer session of today's program. I'd like to hand the program back to Alan MacDonald for any further remarks.

Allan MacDonald^ Well thank you very much, Operator. To all of you, thank you very much. It's been quite the journey we've been on here over the last couple of years. It's an exciting time exciting time for Superior Delivers. We're so pleased with the progress we're making. We've got a lot of work to do, but I hope you can hear it in our tone in the messages we're sending you today that we have a great sense of optimism. And I'm really proud that the work we did in 2024, difficult though it might have been, has been in the best interest of the shareholders and the company for the longer term, and it's going to pay dividends for years to come.

So thank you very, very much for your time today and look forward to seeing you all in a month, if not sooner.

Operator^ Thank you, ladies and gentlemen. for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.