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Corporate Speakers:

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

Participants:

- Gary Ho; Desjardins Capital Markets
- Robert Catellier; CIBC Capital Markets
- Nelson Ng; RBC Capital Markets
- Ben Isaacson; Scotiabank
- Aaron MacNeil; TD Cowen

PRESENTATION

Operator^ Good day and thank you for standing by. Welcome to the Superior Plus 2025 Second 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, and welcome to Superior Plus' conference call and webcast to review our 2025 second quarter and first half results. On the call today we have Allan MacDonald, President and CEO, Grier Colter, Executive Vice President and Chief Financial Officer, Tommy Manion, Chief Operating Officer, North American Propane, and Dale Winger, President of Certarus. 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.

I'll now turn the call over to Allan.

Allan MacDonald^ Thanks, Chris. Good morning, everyone. Welcome to the call. Thanks for taking the time to join us today for this update. Well it's been four months since we presented our transformational strategy for Superior Plus, and I'm very pleased with our progress in both propane and CNG. For our propane business, as you know, the second quarter is typically a seasonally low volume period as heating-related consumption drops significantly after the winter months.

For this season -- for this reason, rather, it's most meaningful to assess our second quarter performance in the context of the first six months of the year. As you'll recall, we had an exceptionally strong first quarter, driven by colder-than-normal temperatures in January and February, which led to significant customer demand and deliveries, followed by fewer deliveries in the second quarter with customer intake levels declining.

Additionally, an important initiative within Superior Delivers is increasing our delivery efficiency by improving our volume per delivery and reducing delivery frequency. In keeping with this initiative, we deferred some Q2 deliveries to improve the efficiency of upcoming fills later in the year. While the volume per customer was small, in aggregate, it amounted to material volumes, particularly in an already light quarter.

We also saw incremental investment within the business in Q2 as we built important capabilities in the areas of customer acquisition, retention and information technology. These are important planned investments that are most visible in such a small quarter and contributed to higher costs in Q2.

Finally, as you'll also recall, last quarter we began consolidating our wholesale business into our U.S. and Canadian propane segments. In Q2, we experienced temporary wholesale disruption in California. This was due to a refinery shutdown, which further impacted our performance in the U.S. Now as you all know the wholesale business is an important enabler of our success and a point of competitive strength for Superior Plus. But it also carries a degree of volatility as we opportunistically capitalize on opportunities within any given year. But that's a trade-off we've long believed to be in the best interest of the company.

Overall, the propane business performed very well in the first half, and we're very pleased with the progress we're making on our transformation. Superior Delivers is on schedule, and we're moving toward a new way of serving our customers and doing business. Now there will always be periods of disruption as becoming more efficient can generate the need for investments and shifting volumes within a given period, but we're in good shape, and we're on track with our plans.

On Superior Delivers specifically, we're pleased with our performance. Despite Q2 being a low volume period, we saw incremental benefits from our transformation compared to the first quarter, confirmation that we're truly transforming the effectiveness of our operating model. Throughout the summer, we're taking on more initiatives and introducing new capabilities that will further enable our ability to drive customer acquisition, retention, and a lower cost to serve. I'm very happy with our progress this year and I'm reminded Superior Delivers is a 2-year productivity transformation. We have lots left to accomplish and the benefit of the work we've done to date will have its biggest impact in Q4 when cold weather and high volumes return.

Turning now to our CNG business, I'm encouraged by our first half performance at Certarus, including a strong second quarter as our industrial, RNG, and hydrogen segments largely offset the pressure we are seeing in our well site business. Within our well site business, it was a transitory quarter with oil and gas customers reducing drilling and completion programs in response to lower commodity prices.

The market well site completion crew count dropped significantly in the Permian Basin, creating headwinds on both volume and price, but we responded by focusing on engaging our customers, delivering industry-leading reliability, and accelerating operational and cost efficiencies that position us to profitably win and retain business despite current market conditions.

I'm very proud of how Dale and his team are managing this temporary cyclical downturn. In addition, the work we've done to expand our operations beyond our core well site business is paying off. 31% of our business in the second quarter of 2025 came from our industrial and other customers compared with just 22% during the same period last year. Our unparalleled experience in delivering reliable energy solutions continues to help us grow within existing customers and establish new customers as demand for energy continues to outpace infrastructure capacity. These growing relationships in applications ranging from power, pipeline, utilities and renewable gas reflect an attractive growth pipeline, and we welcome the increased exposure to demand trends in these end markets. I'm also very pleased with our team's work to control the controllable with operational efficiency improvements and cost reductions. This all helped maintain strong margins in the first half of the year as we meaningfully reduce our operating cost per MMBtu.

In summary, we are absolutely on track with our transformation of Superior Plus. Our teams continue to stay focused on building a new Superior while navigating the complexity of transformation and evolving market dynamics. Our strength and resilience can be attributed to our employees who work hard every day to support our customers across North America while advancing our strategic initiatives. Our people drive our success, delivering excellent service to our customers and long-term returns for our shareholders.

So with that, I'll turn things over to Grier to walk through the financials in more detail.

Grier Colter^ Thanks, Allan. Good morning. As Allan mentioned, the business had an excellent first half, and we are well positioned for the rest of 2025. As we've discussed previously we expected some benefits to our results in 2025 from more favorable weather conditions versus a relatively warm 2024. The majority of that benefit was expected to occur in Q1 and Q4 when our volumes are more weather-driven, and we are seeing that dynamic play out so far this year.

First half adjusted EBITDA was up 5.4% to $294 million due to higher adjusted EBITDA across the divisions and driven by a strong first quarter. Q2 adjusted EBITDA of $33.5 million decreased $9.8 million compared to Q2 2024, which was driven mostly by a decline in our U.S. propane business, which I'll speak about momentarily. For the first half of 2025, adjusted EBTDA per share of $0.95 increased by 16%. Adjusted net earnings per share of $0.43 increased by 48% and free cash flow per share of $0.81 increased by 80%, all driven by strong Q1 results and a share count that is approximately 6% lower year-over-year.

For Q2, adjusted EBTDA per share of $0.05 decreased $0.02 because of lower adjusted EBITDA from our propane operations. Adjusted net loss per share of $0.25 was down $0.02 from last year due primarily to lower operating earnings. Free cash flow per share of negative $0.14 improved by $0.02, driven by lower CapEx and interest expense and a lower share count, partially offset by lower EBITDA from ops.

Turning now into the businesses. For the first half of the year, our propane division posted strong results with adjusted EBITDA increasing 5.9% to $225.3 million, driven by strong volumes and favorable weather in Q1. In the first half, adjusted EBITDA in our U.S. propane division increased $10.1 million or 6.6% on the back of higher volumes in Q1. In the second quarter, U.S. propane had $0 of adjusted EBITDA, which is a decrease of $9.6 million from last year.

The decline in EBITDA was driven by two items arguably connected to first quarter. Firstly, we made a higher provision for doubtful accounts, which relate to receivables generated in the first quarter. Secondly, as Allan touched on, we drew down slightly on customer tank levels in Q2, which is partly due to the weather patterns in Q1.

In addition to these two items, which make the first half view more useful to us. The U.S. propane business also experienced an outage at one of the refineries supplying our wholesale function, making it more difficult to generate normal profit margins. And lastly, some expected customer turnover. Canadian propane generated adjusted EBITDA of $61.7 million in the first half, representing 4.2% growth, primarily due to higher sales volumes benefiting from colder weather in Q1. In the second quarter, Canadian propane produced adjusted EBITDA of $12.6 million, which was a decrease of $0.9 million versus Q2 '24, primarily due to lower commercial sales in Western Canada.

Overall, weather trends were not a factor in the second quarter as heating demand drops off outside the winter months. Our propane transformation, Superior Delivers continues on track and has generated $5 million of incremental value year-to-date, $2.7 million of that in the second quarter, and these numbers have been reflected in the results. As we previously said, the majority of the in-year EBITDA will arrive in Q4 when propane activity increases, and we are well positioned to generate at least $20 million in fiscal 2025.

Certarus has also delivered a strong first half with adjusted EBITDA increasing 4.8% to $82.5 million due to the increased MSU base, partially offset by lower average prices.

The second quarter was met with slower activity in the well site business, which was anticipated and was offset by increased activity in our industrial, RNG and hydrogen businesses, along with greater operational efficiency.

Second quarter EBITDA at Certarus was up slightly to $27.4 million and free cash flow increased materially as we've shifted focus to higher capital efficiency in the business. Consolidated CapEx for the first half was $49.6 million or approximately a third of our full year CapEx guidance, largely due to the timing of receiving tanks and equipment in the propane business.

We continue to expect our CapEx to be around $150 million for the year. For the quarter and year-to-date, corporate operating costs of $6.5 million and $13.8 million, respectively, are in line with our expectations. During the quarter, we incurred our first charges related to Superior Deliveries of $5.4 million, which was in line with our expectations. As previously discussed, these costs are excluded from adjusted EBITDA given their onetime nature. Q2 leverage of 3.8x compares to 3.7x at the end of the first quarter, mainly due to strengthening of the Canadian dollar during the second quarter and weaker Q2 EBITDA compared with the prior Q2.

We expect to finish the year with leverage around 3.7x, up slightly from the prior target of 3.6x, and that is mainly due to the stronger-than-forecasted Canadian dollar. Earlier this month, in partnership with our bank syndicate, we improved and extended our revolving credit facilities. Our CAD 750 million core revolver term has been extended to August 2030, and the limit has been converted to USD 600 million. The CAD 550 million sidecar facility term has been extended to August 2028. These facilities provide us with increased financial flexibility and position us well to execute our strategy over the coming years.

We continue to believe that share repurchases are an excellent use of capital. During the quarter, we repurchased about 7.4 million shares or 3.2% of the float. Since refocusing our capital allocation strategy in Q4 2024, we have now repurchased over 10% of the company's equity. We plan to renew our NCIB in mid-Q4 and remain on track for full year repurchases of approximately CAD 135 million.

In conclusion, we've made excellent progress on our plan so far this year, and I'm pleased with our financial performance. Over the first six months of the year, we generated nearly $190 million of free cash flow. Our propane transformation is well underway and we continue to buy back stock at attractive levels. We are increasingly confident in our strategy, both from an operational and capital allocation standpoint and remain on track to deliver significant value to our shareholders.

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

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question will be coming from Gary Ho of Desjardins Capital Markets.

Gary Ho^ Just maybe start off with the scheduling optimization initiative. So it sounds like greater than 50% deployed in your markets across Canada. Just curious if that's the reason behind the reduced customers in-tank volume in the quarter? And if you can help us maybe quantify and if I'm assuming you might face similar headwinds in Q3, how would that impact the numbers? And I'm assuming a bunch of that will come through in Q4. Is that the right way to think about it?

Allan MacDonald^ Gary, it's Allan. I'll take the first part, and I'll let Grier jump in on in terms of how we could think about it going forward. Yes, as you all know I mean this is a tale of two cities. We have Q4 and Q1 where we have obviously very high volumes in Q3 and Q4 with the significantly lighter. The -- whenever we do any kind of a rollout of anything sort of material to the business, you try to do it in the summer months, so you have the least amount of disruption.

So you're absolutely right. We're rolling out the scheduling optimization tool now. You can imagine this is a very big change for us. It's going really, really well. That invariably requires a big change in standard operating procedures, education. So it takes months to be able to do this. And as you're rolling it out, you don't really see the benefit of it in low-volume quarters, which is one of the reasons that we're doing it now. But having said that, the way that we're creating tickets, the trigger point and the delivery frequency is being monitored using new parameters.

Now I could talk chapter and verse about this, but I won't take up the whole call. All that to say that an inventory level that would have triggered a delivery historically, call it, 30% left in the customer's tank today is -- would trigger an alert that a customer's tank is getting to the delivery window. But we now have a tool that gives us the capability to see the days inventory that, that equates to.

So if it's a home heating customer in the middle of July, 30% has a lot of days till outage than it would -- a much different days outage than it would if it were in January. So with that, we're able to schedule that delivery to a future date that's optimal when we'll be near that customer's location. So that type of thinking, especially when you couple that with the summer months, starts to push these deliveries out. It's optimal.

In totality, there's tens of thousands of deliveries that we'll be able to eliminate every year and not to mention being able to do it much more efficiently. But that can't be equated to losing that customer or losing that volume. It's simply a reduction in in-tank inventory, similar to the way you think about it in retail in terms of the inventory within the channel. So we'll continue to see this throughout the course of the year, but these are customers that are very much still active, and we don't expect their annual volume to change, just their delivery frequency.

You want to comment on how we should think about it going forward, Grier?

Grier Colter^ Yes. Maybe, Gary, I'll just add a couple of numbers here. If you look at this kind of quarter-to-quarter, so if you look at this kind of Q4 '24 to Q1 '25 to Q2 '25 and the tank levels and you would compare it -- comp it to previous years on all those same metrics, your answer will be we were kind of 2 million-ish gallons lower, right? So you can do the math on that based on the margins, and that's kind of the impact. Of that impact, there is a piece of it that is due to what Allan is describing. So just these initiatives that we're working on to be more efficient, and we'll continue that, and there will likely be further decrease in tank levels as we become more efficient.

The other chunk of that, it's probably not half, but I mean they're both nontrivial amounts is just the way the first quarter went. So it was really cold, as you recall in January, February, it was warmer in March. The way we were delivering and the cadence and the way customers were burning the fuel also contributed to it. So I don't know that I would say exactly 50-50, but it's due to both those factors. That's the overall quantum. As I say one, you could say well there will be some more because we're going to continue the initiative. The other, I would say no, there won't be more. In fact, there may be even a pickup the other way.

Allan MacDonald^ So. Yes. The only thing I'd add too, Gary, and for everybody listening, these are the right decisions. Some of these things like Grier was just articulating the overhang from a cold Q1, we don't control, and that's just the nature of the business. But getting the right tank levels and the right customer inventory for optimal deliveries is absolutely the right thing to do. And it creates some lumpiness in the year that you do it because quarter-over-quarter comparisons are not always like-for-like.

Making investments in a quarter that's relatively light. If you think about the order of magnitude of Q2 is so small. But we don't want to forsake the long-term efficiency and viability of the business by being guided by avoiding these decisions simply because of the impact in a given quarter. So this will normalize itself over time but we stand steadfast that it's exactly the right thing to do for the business and we're not going to deviate from that plan.

Gary Ho^ Yes. Okay. That makes sense. Then maybe switching gears to Certarus. It sounds like you're done with MSU purchases for this year and you're more focused on the cost efficiency side. Maybe a two-part question here. So first, on the cost side, where are you seeing successes that led to that minus 5% in operating cost per MMBtu? And are there more to do? Then second, as you look out through '26, I know budgeting is just around the corner. Is there a need to add MSUs to your fleet? I know in the past, you talked about attractive verticals such as RNG and utilities? Or can you kind of tap into those markets with what you have already and/or kind of hubs that you already operate?

Allan MacDonald^ Well good news is we have Dale here with us, who might want to add a couple of comments. But in terms of the last part of your question, I think it's a little bit early for us to give any kind of indication in terms of what our MSU plans are for next year, as you would probably expect, considering the dynamics of the market right now. But we remain obviously very optimistic for the long term, but it's a little too soon to call. In terms of the operating efficiency, we -- Dale and his team have done a great job really coming at it from two perspectives. One is true efficiency. So a small example would be using our own drivers versus third-party deliveries or 3PL drivers.

Then the second is looking at areas where we had grown the business over time to accommodate very rapid growth. Invariably, there's some rightsizing that you can do in terms of staffing levels and where we're investing our resources. And Dale and his team have done a really, really nice job of managing that.

But Dale, is there anything you'd like to add?

Dale Winger^ It's all well said. We continue -- the operational efficiencies were important in the quarter and will continue to be important in the back half of the year. We do have scale. We have a lot of instrumentation on our equipment, and that allows us to drive higher levels of internal carried loads and also utilization of our internal drivers when they're on the clock. So we've seen improvements in that year-over-year, and that will continue to be important for us to deliver the results in the back half.

Operator^ And our next question will be coming from Robert Catellier of CIBC Capital Markets.

Robert Catellier^ I wondered if you could comment on the source and degree of customer attrition in U.S. propane seems to run counter to your strategy.

Allan MacDonald^ Rob, yes, the churn that we're seeing in the U.S. is not terribly dramatic. I think it's amplified because it's such a small quarter. There's probably two really important points here. One is customer churn, as we've discussed in the past in the propane segment is largely the result of things that have happened in prior periods. So we see often a lag of six to 18 months between a customer's last delivery and their churn. So some of this is going to be driven by behaviors that predate any of the work that we're doing.

The other big part is if we look at Superior Delivers being a 24-month transformation, and it will probably be longer than that because, I mean it never really ends once you get this list of initiatives underway you start on new ones. But we focus on the productivity initiatives as our immediate priority for reasons that make obvious sense, knowing that building the capabilities to be great at customer acquisition and retention, we're going to take more time. Things like our pricing optimization tool, our cost to serve tool, our predictive analytics for churn are all in process now.

Some are built and in trial. Some are already in market and some are still in construction. Those are going to have the biggest impact for us when it comes to hitting our targets for churn reduction. They'll really be coming online late this year, and we expect to see more of an impact in that capability next year. That's not to say that we aren't doing everything within our power, obviously to manage churn. I'd say on balance, we're making really good strides. But at the end of the day I'm not super concerned about these churn numbers. They're pretty amplified because of the size of the quarter.

Grier Colter^ Maybe I'll just add a couple of things, if I could, Rob. So if you look at the year-over-year on the U.S. business, the $9.6 million, a big chunk of that is what I had talked about in my remarks, just the tank level component. I mean you can do the math. I gave you a rough idea of what the gallons. I mean that's between $2 million and $3 million. The bad debt provision that we took really was because of higher volumes than expected in Q1, give or take, $2 million.

Then this refinery outage that we had in the wholesale part of the business was $1.5 million to $2 million. So you get -- you whittle it down. The rest is probably what we're talking about churn, I mean call it $1.5 million or $2 million. But as I say this was expected. So those -- the first three items that I just mentioned there were not expected in Q2. The other one was, this was always part of our model. You may recall at Investor Day we talked about how we would get growth out of the base business over the next 3 years. We expected in 2025 to get our growth in the propane business from normalization of weather, which we're seeing -- we saw in Q1. We'll see what happens in Q4.

In Q2 and Q3, you don't get that. And so this was the way that we expected this year to play out with growth in Q1. We expect growth in Q4 and particularly because of the weather, but also because of the impact of Superior Delivers, which will be very back-end weighted. But Q2 and Q3, we were never expecting to have growth. As I say there were some unexpected, but the churn component of it, I mean this is part of our journey. We're on a pathway here to create a more competitive platform to have this business grow organically. And this is what Superior -- a big part of what Superior Delivers is and the project is on track and underway. As I say this was expected. This part of the quarter was definitely not a surprise for us.

Robert Catellier^ I agree that it's common to expect some fluctuations when you're going through the transition and the scale that you're attempting here. Just moving on to the CNG business. Obviously your numbers are up only slightly year-over-year despite a material increase in the MSU count. So how would you characterize and quantify your market share? And what's your outlook in light of the pricing dynamics going forward in 2025?

Allan MacDonald^ In terms of market share, we've been staying true to our aspirations to walk that fine line of maintaining our share, but also being mindful that we want to continue to be competitive in the market. So it's always a balance in terms of adjusting pricing and maintaining share. I would say that with Dale's entrance into the business, we've done a much better job of getting that right in the last three or four months than we did in the first couple of months of the year.

So that's the good news. The challenge, of course is it's a really dynamic market that's not immune to cyclicality as you're very well seeing, and that's had some impact on pricing. In terms of where we go from here, that -- I can give you my own view is I don't expect that we're going to see the type of dramatic movements that we've seen to date. But your crystal ball is probably better than mine.

Dale, I mean you may have some thoughts on this as well.

Dale Winger^ Allan described in his remarks a transitory quarter in oil and gas. I think that impacted both kind of core well site business pricing and volume. We came into the second quarter with oil prices in the $70 to $75 per barrel range and turned sharply down in to $60 to $65. There was an adjustment in the marketplace. Operators reduced the amount of completion crews, 20% to 25% in the Permian Basin. And so that puts some downward pressure on pricing as service companies adjusted to align with active work schedules. You saw a lot of the North America oilfield services companies reported year-over-year revenue declines of 10% to 15%. And CNG pricing down small single-digit percentage from one quarter to the next.

The industry is working through excess trailer capacity. We're not seeing new trailers come to the market. We're even aware of some owners looking to sell their trailers. So that is a signal of stabilizing market dynamics. But as we noted, despite the headwinds, we've done really well. We are focused on maintaining the market share that we have. We're doing that by driving an improved cost structure with efficiencies that allow us to win and make good margins and returns in any kind of market environment. The leading operators that are maintaining steady work schedules, given where oil prices are, we expect those to be steady through year-end.

So kind of with a steady commodity price environment, like we expect steady work schedules through the end of the year. So we're strategic aligned -- strategically aligned with the customers that value what we do, safety leadership, best reliability and uptime that help them achieve their own efficiency goals that they're trying to achieve in a compressed commodity environment.

Allan MacDonald^ The last thing I'd add to that, Rob, is it's really hard to tell how good a company was when the industry is booming because everybody is successful. The true test of the strength of a company is when the industry is under pressure. I got to tell you, I'm very pleased with the work the team at Certarus has done.

I think the strength of the brand of Certarus, the way they've been approaching partnerships with major players, both in the industrial space and the oil and gas space is really becoming evident now because for us to have this type of performance, considering the headwinds, I think is a testament to the true strength of the business. So hopefully, we're at a low ebb in this cycle, if not coming out of it shortly. And I think this is just a testament to just how strong Certarus is, quite frankly.

Robert Catellier^ That was a very fulsome answer, but there were some important things in there that I think I need to clarify. Grier, I think that I heard you use the term stabilizing market dynamics a few times. I know you don't give quarterly guidance, but are you suggesting that the second half of the year, you should experience lower year-over-year pressure on your -- on pricing and margins in the CNG business?

Grier Colter^ Ask the question again sorry, Rob.

Robert Catellier^ Yes. I was just -- the comments about stabilizing market dynamics, I'm just wondering the degree of pricing pressure we're going to see in the second half of '25 compared to what we've seen over the last six to 12 months.

Grier Colter^ I mean what I would say is we still feel that this business will come in -- so far this year, it's in the range of where we originally thought, and we think it will come in for the year in the range. But maybe I'll pass it to Dale, you can give a little bit more detail.

Dale Winger^ Yes. That's exactly right. So maybe some well site headwinds offset by operational efficiencies and growth in the industrial and renewable segments to deliver within the range, as Grier said.

Robert Catellier^ Yes. That's a good segue to my last question. I was curious how much the RNG and hydrogen businesses can grow and contribute in '25. Do you have any color on that?

Dale Winger^ We expect 20% growth outlook looking forward from a year-over-year basis. We have established a market-leading position. So when these projects come up, we've established a good reputation for our experience and our collaboration and our problem-solving capability. So we are in the best position to win. The second quarter reflected that. We actually grew more than 20% in those segments year-over-year. Those are an important part of -- those are important part of our continued growth.

Operator^ And our next question will be coming from Nelson Ng of RBC Capital Markets.

Nelson Ng^ First question just relates to Certarus in terms of the utilization and pricing trends. So I think Dale, you mentioned that there was a combination of lower volume and margins. But can you just talk about the MSU utilization during the quarter? Like obviously there's a balance in terms of margin and utilization. But can you just comment on whether there were like a bunch of trucks or trailers being idled to preserve margin? Or how do you -- can you just give a bit more color there in Q2?

Grier Colter^ Maybe I'll -- Nelson, it's Grier. Maybe I'll start and then pass it to Dale or Allan. I don't -- we're probably not going to get into specific stats about the utilization of our trailer count. I think generally, we see way more stress on our trailer count in Q1 and Q4, right? So we're -- when we go through the winter, traditionally, we've been borrowing, so we don't have enough. Then when we get into the summer, we've had capacity.

I think when you look at 2024 and even maybe 2023, there was capacity, whether we were actually moving them and not as efficient as we could be or whether we had a couple of sitting in the yard, but we definitely have capacity. I would say that in Q2 and what will happen in Q3, there has been in the summer and this year for sure and probably next year as well there will be capacity there. I mean how you handle that and how you're actually driving the model is maybe different. But you can squeeze more trailers and that's been the case for many seasons at this point.

But Dale, I don't know if you have additional commentary?

Dale Winger^ Grier said it well. We have available trailer capacity. We're out on our front foot in terms of looking for growth opportunities, and we'll be able to -- we have the trailer capacity we need to increase volume and sort of take care of that winter seasonal demand.

Allan MacDonald^ Yes. I think -- Nelson, it's Allan. You almost, by definition, have to because Q4 and Q1 provide such great opportunities that if you were at maximum capacity at the lowest part of the cycle, then you'd be forsaking opportunities in your busiest season. So it's always a matter of just running the fleet as efficiently as we can and making sure all that capacity is being used in the right way throughout the course of the year.

Nelson Ng^ Okay. Then you guys talked about how RNG, hydrogen and industrial has increased by, I think 48% during the quarter. Like bigger picture, I think last year, the non-well site gross profit at Certarus was about 34%. Do you see that taking a big step higher this year given the progress on the RNG and hydrogen side? Or is that still a small piece of the pie?

Grier Colter^ Yes. Maybe I'll start and Nelson, it's Grier, and I'll pass it to one of these guys probably Dale first and maybe Allan. I think this is about trying to -- I think the business has done a great job trying to get best returns for the [MSEs], right? And so when the jobs are relatively short in nature. So -- and there's competition for the MSEs. And so if the returns are best on well site, that's where they'll go. If they're best in RNG, that's where we'll go. Certainly, there is more headwind this quarter on well site. We definitely saw a significant increase in the trailers that went to these other areas, industrial, RNG, hydrogen. It's really hard to predict, though, next quarter what might happen. I mean if there were better dynamics and the returns are better, in oil and gas, that's where they'll be.

The business is very, very nimble and very disciplined in terms of trying to drive returns and have these trailers in the best places. But certainly, there was a pretty significant movement this quarter. The business, as we've said, did a really good job adapting to the environment. We're positioned better than most in this industry. We've got 20 hubs. A lot of our competitors don't have that flexibility to be able to move to different geographies and move to different uses or different applications. And this quarter was a great example of the flexibility that we have in this business.

But Dale, I don't know if you have anything?

Dale Winger^ Yes. That's well said. Allan mentioned in his remarks that the industrial and renewable segments represented 31% of net revenues for Certarus in the second quarter. That's up from 22% a year ago. And based on the project pipeline, the expanding customer relationships, the new customer counts, we expect that number will continue to grow.

Operator^ And our next question will be coming from Ben Isaacson of Scotiabank.

Ben Isaacson^ Grier, one question for you and then a question for the group. I was just going through the notes and the financials. In Note 4, I see that receivables past due less than 90 days has fallen by about half since the start of the year, but past due greater than 90 days has almost doubled since the start of the year. So can you just provide some context on those shifts?

Grier Colter^ Sure, Ben. Yes. I think this is a dynamic that you'll see a little bit when you have a busy winter, right? Like the volume throughput was way higher. Customers had larger bills. Then -- so the receivable balance is -- and that's partly the driver for why we increased the provision this quarter. We'll see how these things come through and collect. Generally, what we also see, though, is some of these receivables that exist, the customer calls up three months, six months later for delivery and we say well we're not doing the delivery until we clear your account, they pay the account and we get on with life, right? So we'll see kind of how this goes. But the reason for this dynamic is not unusual, and it's because of the higher volume that we saw through busy season in Q1, in particular. So that's what's causing that. But your observation is absolutely right, and that's what drove us to increase the provision slightly. Again we'll see how this plays out, but that's what that is.

Ben Isaacson^ Perfect. Then just maybe taking a step back and maybe part of this has already been answered, but I just wanted to kind of summarize it all. So maybe, Allan, we'll start with you. The CNG business, you said this morning, you used the term temporary and cyclical. We've heard that message in previous quarters. And you also said that you expect to be coming out of it shortly. Now we also heard that we're starting to see the sale of MSUs. So some other participants are exiting or at least downsizing in this market. So why are people exiting if it's temporary and we're coming out of it shortly? Then the reason why I'm asking all of you to comment is that really brings us to the question of what type of returns do you seek in each of the segments, but really in CNG as you continue to invest capital when we're facing this dynamic? That's all.

Allan MacDonald^ Ben, great question. Let me see if I can summarize this. So I talked about the strength of the business and the cyclicality. I mean your estimate and outlook is as good as mine. I mean specifically, you got to separate the two because you got the sort of industrial and renewable sector, which we see as an opportunity for growth, and I think that was demonstrated in the quarter.

Then the cyclicality that exists within the oil and gas environment is by its very nature, cyclical. We don't see the current situation as something that is likely to exist long term, but how long it exists in the state it's in today is really, really difficult to estimate. In terms of the competition, I'd go back to the comments I made that trying times really test companies. And like any emerging business, there were competitors that were opportunistic that capital flowed freely into the MSU market.

When you're limited in terms of your investment in business development and hub expansion and have perhaps a more opportunistic and shorter-term view, you come under pressure in ways that we aren't here at and Superior. So I think it's perfectly normal in an emerging industry that you see first movers come in, they're very opportunistic and then they make their own strategic decisions.

In terms of that availability, I think it's partially, and Dale will have an opinion on this. I think it's partially because of their limited market set and the fact that they were opportunistic operators. One of the biggest things Dale has done, and I'm glad you asked this because I wanted a chance to comment. We're moving much higher up the food chain in terms of strategic partnerships. When you have a business that's oversubscribed, there's a tendency to be opportunistic. And I think the work Dale has done in a very short time has elevated Certarus' strategy to be much more at the strategic partnership discussion level with either big producers or non-oil and gas companies. That's really difficult to do when you have a really small footprint and you've been opportunistic.

So all that to say is I think this is a perfectly normal market dynamic that you would see in a lot of industries. That in the medium term, we're going to be really pleased with coming out of this. We've been really shrewd when it comes to our productivity. We've been really committed to building a growing base in trying times and forging relationships with important partners that they'll see as valuable going forward. So I'm not uncomfortable about coming out of this an even stronger and more successful company at all. And from all that, capital decisions will be made in terms of where we see the growth.

Grier Colter^ Yes. Maybe a couple of -- I agree with everything that Allan said, but maybe a couple of add-ons to this. I mean it's obviously hard for us to then know exactly the economics and the dynamics that our competitors are seeing, and they're all different, right? And some of them are really small operators and have single hubs and don't have the flexibility that we've got, right? They -- we've also built this fleet up over 12, 13 years and a lot of the MSUs that we bought that are still very much useful for us, they were bought at much lower prices.

So the business is generating good cash flow and it's doing really well. I mean our competitors aren't -- we were kind of the first to go into this meaningfully. There's some of our competitors set to have very different economics, very different cost base and you have different flexibility in their operations. If you look at kind of that next MSU, the other thing that I would say like we're really good at this.

We have opportunities where we could make acceptable return, but we also look at this relative to all the other return opportunities we have within the organization, right? And we've made a decision to be quite aggressive with our share repurchases. We think this is an excellent use of capital. We're very focused on bringing the leverage down. So this where we allocate capital gets put through a higher lens. I think if some of these other things are less attractive, purchasing MSUs and getting double-digit return, I think that's very much a reality. We see great opportunities in this business. We talk about it regularly. I think there are, though, competing priorities. So that is a factor as well. But yes, hard to comment what the others are seeing. But certainly, we think we're well positioned here. We think our economics are good relative to the others.

You can see, as Dale said, kind of what they're doing, how they're acting, how they're investing in capital, it seems that the returns are pretty stretched. But yes, this is not like it was necessarily 2, 3 years ago when the market was extremely underserved and you were achieving 20%, 25% return on investment. It's definitely not at that level. But there are still good opportunities to make capital investments here.

Operator^ And our next question will be coming from Aaron MacNeil of TD Cowen.

Aaron MacNeil^ A couple of high-level ones for me. Allan, you made reference to the potential for new Superior Delivers initiatives in response to one of Rob's questions, and I'm hoping you can expand on that. So can you just speak to whether or not you've identified new opportunities or derisked others that may lead to a change or improvement in that $70 million target over time?

Allan MacDonald^ Yes. It's a good question. I don't know if that comment was directed at all of you or the management team that's sitting and listening to this call. Really, the genesis of my comments there, Rob, great question. Great question. It's -- one of our ambitions with Superior Delivers is not just transforming the operating model but transforming the entire way that we work as a company.

So shifting from a more legacy operating model that kind of was born out of this generation of M&A to one that's much more performance-oriented. When you go through a transformation like this, you challenge everything. You shift to fact-based decision-making. You introduce whole new expectations in terms of performance and to my esteemed colleague Grier's credit, return on capital. And it's our ambition that while Superior Delivers is a 2-year transformation, those qualities and values and ways of working will become embedded in the organization. That's our intent. And from that, you're going to continue to always be challenging what you're doing within the business.

So I would say right now we have a long list of things to do. We have a team that's obviously very stretched of trying to run the business and transform it at the same time which is never easy. It has organizational implications in terms of structure, cost reduction, new ways of working, and we're working through all those things each and every day. But as we start to close the book on some initiatives, we're going to be casting our eye to the future to say okay. What's next?

It would be premature to be -- right now we're worried about getting the proverbial fish in the boat that we have on the line. But it's a little early to say okay. What does 2027 look like in terms of specific initiatives. But we know there's no end to the opportunities in this space, and we're going to be continuing to drive hard at them each and every day. So I would say the best way to qualify my comments is we're not just transforming the company. We're transforming the whole way that we work, and I want to see that pay dividends for the next generation for this business.

Aaron MacNeil^ Okay. Yes, fair enough. Dale, sort of similar line of thinking. Just at a very high level, can you just maybe take a moment to give us a bit of a sense of your updated perspectives on the business now that you've been in the chair for a few months, what your main priorities or initiatives are and how you think you'll make the mark on the business going forward?

Dale Winger^ Yes. I appreciate that. As we talked about at Investor Day Certarus has done an outstanding job of really building an industry-leading position, whether that be in hubs or fleet size or just people experience and customer relationships and really delivering on a value proposition of being able to deliver safely and reliably to help customers maximize uptime and reduce operating costs.

The well site business has been the foundation. It's been the core. And as you know the market conditions in the second quarter kind of took a step down. We are focused on maintaining and retaining share in that business, and we will do that by driving efficiency improvements and managing cost structure and kind of being fit to compete, like being in the best position to win and drive returns in that market environment.

[We're continue] to -- the scale that we can get on investments such as technology investments to instrument our equipment. We're rolling out a new capability called Smart Fleet that we'll have instrumented on half of our trailers by year-end. That rollout is happening right now across some of our northern geographies ahead of the winter season that allow us to know the levels in every asset, whether it's at a customer location in our yard or somewhere in between. That's an example of a capability and a technology that makes sense for us to invest in that allows us to always dispatch the trailer with the fullest load and drive increasing efficiencies.

We're also looking at some complementary solutions in the well site. We introduced a new dynamic blending skid in the quarter that is helping customers that want to use a mix of [trucked gas] and field gas that is an enhancement to our portfolio that creates customer stickiness and allows us to continue with crews as they work through use of truck gas and field gas.

Then a big piece of the strategy is accelerating growth in these industrial and RNG and hydrogen segments. We are positioned well with customers and meeting unmet needs and pain points that emerge as a result of infrastructure constraints. We're in a good position to pick up kind of long-term work, but also short-term temporary and project work. So we are prioritizing projects and opportunities that are capital efficient, where there's underserved and growing markets that can provide us baseload and growth opportunities. So we're really encouraged about the future. The platform has a lot of capabilities. It is our core business. So we're in a -- we are in the best position to extend competitive advantage on delivering that value proposition.

Operator^ I would now like to turn the call back to Allan MacDonald, President and CEO, for closing remarks.

Allan MacDonald^ Well thanks, everybody. I appreciate you joining us today and for your patience in helping us articulate some of the dynamics of the quarter. It's always a challenge in a quarter that makes up less than 10% of your year to reconcile the results with how the business is truly performing and whilst you're in the midst of a transformation. I can assure you that Superior Delivers is absolutely on track, and we're really pleased with the process we're making. It's always -- you want to be mindful that we're focusing on the first half of the year because you really have to look at Q1 and Q2 in tandem. A small move in Q1, it just influences Q2 so much.

Then finally, I'll reiterate the comments I made about Certarus doing well in a challenging market is, I think super encouraging because as the market continues to develop and conditions become a little more favorable, we're going to arise from that an even stronger company. I think it really underscores the market position that we hold and how our customers view us. So I'm very, very pleased with the progress we're making, and we look forward to talking to you again in a few short months in terms of what happened in Q3. So thank you all very much, and enjoy the rest of your day.

Operator^ And this concludes today's conference call. Thank you for participating. You may now disconnect.