

Near-term earnings power is substantially higher, but the quarter is not a sustainable run rate

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	\$10.86 billion	\$9.11 billion	+19.2%
Adjusted EBITDA	\$2.984 billion	\$2.11 billion	+41.4%
Diluted EPS (adjusted)	\$11.75	\$8.18	+43.6%

2 GUIDANCE AND OUTLOOK	
Q4 crude charge is guided to 560,000 to 600,000 barrels per day, an implied midpoint of 580,000, down 5.5% from Q3, on the continuing El Dorado turnaround. The 2026 capital budget was raised 12.9% to \$875 million: \$725 million sustaining and turnarounds plus \$150 million growth. Management expects to end the year at its target payout ratio of 50% of adjusted net income. Westline Connect's investment decision moved to Q1 2027; no 2027 budget or Q4 margin guidance was given.	

3 | EARNINGS ANALYSIS

A REFINING-DRIVEN BEAT. Adjusted EPS of \$11.75 beat consensus of \$8.18 by 43.6%, and adjusted EBITDA of \$2.984 billion beat consensus of \$2.11 billion by 41.4%, on revenue of \$10.857 billion. Refining produced \$2.582 billion of adjusted EBITDA, 86.5% of the consolidated total. The other segments contributed \$423 million combined: lubricants \$174 million, renewables \$109 million, midstream \$101 million and marketing \$39 million. Lubricants, renewables and midstream declined sequentially; the beat was overwhelmingly a refining phenomenon.

THE SRE WINDFALL IS NOT CASH. Analysts cited a \$500 million to \$600 million small refinery exemption benefit. Management recognized it by reversing accrued compliance expense, not by selling RINs: it sits in earnings, not in the cash flow statement. Excluding the estimated benefit, adjusted EBITDA of roughly \$2.384 billion to \$2.484 billion still beat consensus by 13.0% to 17.7%, and implied EPS of about \$9.15 to \$9.58 remains well above the \$8.18 consensus.

CAPTURE AND MARGINS STAY EXCEPTIONAL. Excluding the exemption benefit, refining capture was 105%. Adjusted refinery gross margin reached \$54.22 per produced barrel sold, versus \$19.16 a year earlier. Management cited about 4 million barrels per day of production offline, with full recovery of affected capacity unlikely until sometime in 2028, a forecast rather than an established endpoint. Management acknowledged this margin environment will come back to normal; scarcity premiums can fade before the last damaged unit returns.

COSTS ROSE; THE OLD TARGET LAPSED. Refining operating expenses rose to \$557 million, or \$9.18 per throughput barrel, from \$7.12 a year earlier, on environmental accrual true-ups, performance-related benefit charges, catalyst and chemical inflation and added reliability maintenance. Management did not recommit to the historical \$7.25 per throughput barrel cost target for 2027. The gap to the old target is about \$117 million at Q3 volumes, and far more visible once margins normalize.

CASH AND FLEXIBILITY STRENGTHENED. Operating cash flow was \$1.784 billion and free cash flow about \$1.647 billion after \$137 million of capital expenditures. Cash rose to \$3.333 billion; net cash was \$559 million after \$2.774 billion of debt. Shareholder returns totaled \$572 million: \$479 million of repurchases and \$93 million of dividends. Management expects to end the year at its 50% target payout ratio. The 2026 capital budget was raised 12.9% to \$875 million.

THE VERDICT IS VALUATION-DEPENDENT. The summary's verdict is a valuation-dependent Hold: the quarter warrants higher near-term earnings expectations and greater confidence in liquidity and capital returns, but exceptional margins, exemption reversals and current base-oil profitability do not deserve a full recurring-earnings valuation. The durable evidence is reliability, commercial optimization, branded-channel growth and crude-slate flexibility. Catalysts are the El Dorado restart, Q4 volumes and the payout commitment; the separation needs its own disclosure, with completion targeted for the second half of 2027.

4 | KEY READ-THROUGHS

WIDER WCS DISCOUNTS FAVOR REFINERS OVER UNINTEGRATED HEAVY-OIL PRODUCERS
Athabasca Oil Corporation (ATH), Canadian Natural Resources (CNQ) | Negative | Materially negative for Athabasca; moderately negative for Canadian Natural Resources
Canadian production is outpacing egress, and management cited WCS differentials anywhere north of \$25 up into \$30, seen staying wider through at least 2027. Wider discounts transfer margin from producers to capable refiners. Athabasca is the concentrated negative: its September 2026 presentation assumed a US\$12.50 differential for 2027 onward and disclosed about C\$24 million of funds-flow sensitivity per US\$1 move, so US\$5 wider implies roughly C\$120 million of adverse annual sensitivity.

REFINING MARGINS REMAIN STRONG AFTER SRE NORMALIZATION
Valero Energy (VLO), Marathon Petroleum (MPC), Phillips 66 (PSX) | Positive | Strongly positive operating read-through for Valero; moderately to strongly positive for Marathon Petroleum
HF Sinclair generated about \$2.6 billion of refining adjusted EBITDA on lower crude charge, and capture excluding the exemption benefit was 105%. Excluding the analyst-estimated benefit, refining EBITDA of about \$1.982 billion to \$2.082 billion still compares with \$661 million a year earlier, supporting peers with reliable assets and crude access. The qualification is cash: the benefit came through expense reversals, not cash flow, and eligibility differs across refiners, so the headline beat cannot be applied to peers by capacity.

CALIFORNIA REFINERS BENEFIT FROM CURRENT SCARCITY BUT FACE A LONGER-TERM EROSION OF REGIONAL PRICING POWER
PBF Energy (PBF), Marathon Petroleum (MPC) | Mixed | Strongly positive near-term exposure for PBF; potentially material negative longer-duration read-through
California closures raise the scarcity value of remaining production today, but the same closures attract supply that erodes incumbents' geographic protection over time. Western Gateway and Westline Connect, the latter adding about 35,000 barrels per day into Utah and Nevada with service targeted for 2029, would deliver inland barrels into high-price Western markets. PBF carries direct exposure through Torrance at 166,000 barrels per day and Martinez at 157,000. Until it operates, scarcity supports near-term margins; the negative is longer-duration.

PRODUCT SCARCITY IS AN AIRLINE COST HEADWIND EVEN IF CRUDE AVAILABILITY IMPROVES
American Airlines Group (AAL), United Airlines Holdings (UAL), Delta Air Lines (DAL) | Negative | Materially negative gross fuel-cost exposure for American and United; Delta relatively better insulated
The disruption is mainly a distillate story: about 4 million barrels per day of refining production is offline, and product tightness can persist even as crude transit improves. Jet fuel competes inside the middle-distillate system, so airlines face higher fuel premiums without a crude increase. A \$5 per barrel higher jet premium is about \$0.119 per gallon, or roughly \$119 million per billion gallons consumed. American and United have no offset; Delta's Trainer refinery captures part of the margin, partial insulation only.