Chevron Announces Agreement to Acquire Renewable Energy Group Edited Transcript

Monday, February 28th, 2022

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Other important factors that could cause actual results to differ materially from those in the forward-looking statements are: changing crude oil, natural gas and feedstock prices and demand for the companies' products, and production curtailments due to market conditions; crude oil production quotas or other actions that might be imposed by the Organization of Petroleum Exporting Countries and other producing countries; technological advancements; changes to government policies in the countries in which the companies operate; public health crises, such as pandemics (including coronavirus (COVID-19)) and epidemics, and any related government policies and actions; disruptions in the companies' global supply chain, including supply chain constraints and escalation of the costs of goods and services; changing economic, regulatory and political environments in the various countries in which the companies operate; general domestic and international economic and political conditions; changing refining, marketing and chemicals margins; actions of competitors or regulators; timing of exploration expenses; timing of crude oil liftings; the competitiveness of alternate-energy sources or product substitutes; development of large carbon capture and offset markets; the results of operations and financial condition of the companies' suppliers, vendors, partners and equity affiliates, particularly during the COVID-19 pandemic; the inability or failure of Chevron's joint-venture partners to fund their share of operations and development activities; the potential failure to achieve expected net production from existing and future crude oil and natural gas development projects; potential delays in the development, construction or start-up of planned projects; the potential disruption or interruption of the companies' operations due to war, accidents, political events, civil unrest, severe weather, cyber threats, terrorist acts, or other natural or human causes beyond the companies' control; the potential liability for remedial actions or assessments under existing or future environmental regulations and litigation; significant operational, investment or product changes undertaken or required by existing or future environmental statutes and regulations, including international agreements and national or regional legislation and regulatory measures to limit or reduce greenhouse gas emissions; the potential liability resulting from pending or future litigation; Chevron's future acquisitions or dispositions of assets or shares or the delay or failure of such transactions to close based on required closing conditions; the potential for gains and losses from asset dispositions or impairments; government mandated sales, divestitures, recapitalizations, taxes and tax audits, tariffs, sanctions, changes in fiscal terms or restrictions on the scope of the companies' operations; foreign currency movements compared with the U.S. dollar; material reductions in corporate liquidity and access to debt markets; the receipt of required Board authorizations to implement capital allocation strategies, including future stock repurchase programs and dividend payments; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; Chevron's ability to identify and mitigate the risks and hazards inherent in operating in the global energy industry; and the factors set forth under the heading "Risk Factors" on pages 20 through 25 of Chevron's Annual Report on Form 10-K for the year ended December 31, 2021 and in other subsequent filings with the U.S. Securities and Exchange Commission ("SEC"), as well as the factors set forth under the heading "Risk Factors" of REG's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 and REG's Annual Report on Form 10-K for the year ended December 31, 2020 and in other subsequent filings with the SEC. Other unpredictable or unknown factors not discussed in this document could also have material adverse effects on forward-looking statements.

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Additional Information and Where to Find It

This communication is being made in respect to the proposed transaction involving REG, Cyclone Merger Sub Inc. ("Merger Subsidiary") and Chevron. A meeting of the stockholders of REG will be announced as promptly as practicable to seek stockholder approval in connection with the proposed transaction. REG expects to file with the SEC a proxy statement and other relevant documents in connection with the proposed transaction. The definitive proxy statement will be sent or given to the stockholders of REG and will contain important information about the proposed transaction and related matters. INVESTORS AND STOCKHOLDERS OF REG ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT AND OTHER RELEVANT MATERIALS CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT REG AND THE PROPOSED TRANSACTION. Investors may obtain a free copy of these materials (when they are available) and other documents filed by REG with the SEC at the SEC's website at www.sec.gov.

REG and certain of its directors, executive officers and other members of management and employees may be deemed to be participants in soliciting proxies from its stockholders in connection with the Merger. Information regarding the persons who may, under the rules of the SEC, be considered to be participants in the solicitation of REG's stockholders in connection with the proposed transaction will be set forth in REG's definitive proxy statement for its stockholder meeting at which the proposed transaction will be submitted for approval by REG's stockholders and the Annual Report on Form 10-K for the fiscal year ended December 31, 2021. You may also find additional information about REG's directors and executive officers in REG's definitive proxy statement for its 2021 annual meeting of stockholders, which was filed with the SEC on April 5, 2021 and in subsequently filed Current Reports on Form 8-K and Quarterly Reports on Form 10-Q.

This presentation is meant to be read in conjunction with the Chevron Announces Agreement to Acquire REG Transcript. All materials are posted on chevron.com under the headings "Investors," "Events & Presentations."

Chevron

February 28, 2022
11:00 AM ET

This transcript has been edited by Chevron Corporation. It is generally consistent with the original conference call transcript. For a replay of the Investor Conference Call, please listen to the webcast presentation posted on chevron.com under the headings "Investors," "Events & Presentations."

Operator: Good morning. My name is Christina, and I will be your conference facilitator today. Welcome to our conference call to discuss Chevron's Acquisition of Renewable Energy Group. At this time, all participants are in a listen-only mode. After the speaker's remarks, there will be a question-and-answer session and instructions will be given at that time. If anyone should require assistance during the conference call, please press star and then zero on your touchtone telephone. As a reminder, this conference call is being recorded. I would now turn the conference call over to the General Manager of Investor Relations of Chevron Corporation, Mr. Roderick Green. Please go ahead.

Roderick Green: Thank you, Christina. Good morning, and welcome to this special call to announce an important proposed combination. I'm Roderick Green, General Manager of Investor Relations at Chevron and with me today are Chevron's Chairman and CEO, Mike Wirth. Renewable Energy Group CEO, CJ Warner, and Pierre Breber, Chevron CFO. Before we get started, please be reminded that this presentation contains estimates, projections, and other forward-looking statements. Please review the cautionary statement and additional information legend on slide two.

Now I'll turn it over to Mike.

Mike Wirth: Okay. Thanks, Roderick. I'm pleased to announce that Chevron has entered into a definitive agreement to acquire Renewable Energy Group, a strategic transaction that positions us to accelerate our plan to advance a lower carbon future. By combining REG's leading feedstock capabilities and growing renewable fuel production with Chevron's large manufacturing, distribution, and commercial marketing position, we can accelerate the profitable growth of renewable fuels more effectively than either of us could do on our own.

The transaction is expected to be accretive to earnings per share in the first year after closing and accretive to free cash flow per share after the startup of REG's Geismar expansion. We estimate EBITDA of around \$500 to \$600 million from REG's businesses in 2025. Merger synergies, mostly operational and financial, are estimated to be between \$50 and \$100 million a year. This is an all-cash transaction with a 30-day premium of around 57%.

After the Geismar expansion, the estimated 2025 EBITDA acquisition multiple falls to around five times. We expect the transaction to close in the second half of the year.

I'm also very pleased that CJ Warner is expected to join Chevron's board of directors. CJ brings significant experience in both oil and gas and new energies. I look forward to working with her as we bring our two companies together and, in the years, ahead, as we aim to grow our business and continue to focus on higher returns, lower carbon.

During our Energy Transition Spotlight last fall, we laid out plans to grow our renewable fuels capacity to about a hundred thousand barrels per day. This transaction is expected to accelerate our progress towards that goal and much more. REG is the country's leading biodiesel producer, operates the US's first renewable diesel facility, and has extensive pre-treatment facilities to process lower-cost waste-based feedstocks.

With its history and heritage rooted in the Midwest, REG has developed deep relationships with feedstock suppliers starting in the nation's heartland and then expanding globally. We believe REG's unique capabilities combined with Chevron's advantaged assets and market positions create a leading provider of lower carbon intensity fuels with strength across the value chain.

The fuels value chain always begins with feedstocks. Over 70% of REG's feedstocks are waste or second use ones like used cooking oil, distillers corn oil, and tallow enabled by its pre-treatment facilities.

Combined with our recently announced Bunge joint venture, we're increasing our capability to source reliable cost-competitive feedstocks to meet our growing renewable fuel production capacity. In manufacturing, REG brings a portfolio of biodiesel plants and the renewable diesel facility in Geismar, Louisiana, which has a major expansion underway, expected to achieve full operations in 2024.

These assets will be supplemented by capital efficient conversions of process units across our refining system, such as the diesel hydrotreater at El Segundo, which is expected to have the capability to produce 10,000 barrels a day of renewable diesel by year-end. We complete the value chain with both companies marketing efforts underpinned by Chevron's leading West Coast brand and infrastructure in a market where these fuels deliver the strongest realizations, as well as REGs direct to end-user marketing approach.

The combination is expected to provide a capital-efficient, flexible, and growing renewable fuels business with balanced exposure across the value chain and leading capabilities at every step.

As one of the founders of the modern renewable fuels industry, REG has continued to innovate, partner, and grow to deliver value to all stakeholders. Its employees and culture are at the heart of its business. After closing our renewable fuels business will be headquartered in Ames, Iowa to preserve the expertise and relationships core to REG's success. Together we expect to take the business to another level. I look forward to welcoming the REG family to Chevron.

And let me now turn it over to REG CEO, CJ Warner.

CJ Warner: Thank you for the introduction, Mike. The roots of REG go back more than two decades with humble beginnings at a farmer's cooperative in Ralston, Iowa. Our history is one of innovation and at the outset parallels that of the biodiesel industry as a whole. When we made our first batch of biodiesel in 1996, the industry was still in its very early stages and largely using soybean oil as feedstock.

Today, REG is the largest biodiesel producer by volume in the United States, owns and operates the very first renewable diesel plant in the US, and converts a wide variety of lower carbon intensity feedstocks to create lower carbon intensity fuel. Joining forces with a company with the size, scale, and capabilities of Chevron will give us additional resources as we aim to accelerate growth and strengthen our collective ability to deliver a lower carbon intensity fuels our customers and the world need.

As Mike highlighted, we believe there is strong cultural alignment between our organizations. We share a focus on safety, integrity, and operational excellence, and are both committed to helping build a lower carbon future. We're excited about the many opportunities REG will have as part of Chevron. Having strength across the renewable fuels value chain will allow Chevron to serve our customers even better than we do today. This transaction also delivers premium cash value to REG shareholders.

I'm looking forward to the opportunity to join the board of directors of Chevron, working with Mike and the entire board to accelerate the use of renewable fuels as part of the transition to a lower carbon energy future. This transaction is a powerful endorsement of our people, the great company we've created, and the value we deliver every single day. As we join the Chevron team, it's our people who will continue to drive success, and we look forward to doing it in strong collaboration across the system.

Thanks, Mike, and back to you.

Mike Wirth: Okay. CJ, thank you. And I wholeheartedly agree with everything CJ just said, and particularly the contribution of the people who have built this company from its very humble roots in the Midwest to being a national leader and a business that has in many ways innovated and led into a lower carbon future. And we have huge respect for that and great excitement about bringing our people together.

To sum this up, this acquisition is aligned with our financial priorities, and it positions us to accelerate our progress to deliver higher returns and lower carbon. As CJ said and as I just reiterated, we're excited to bring this combination to life.

Roderick, back to you for Q&A.

Roderick Green: Thanks, Mike. That concludes our prepared remarks. We're now ready to take your questions. Please try to limit yourself to one question and one follow-up. We'll do our best to get all your questions answered. Christina, please open up the lines.

Operator: Thank you. If you have a question at this time, please press star one on your touch-tone telephone. You may ask one question and follow-up question. If your question has been answered or you wish to remove yourself from the queue, please press star two. If you are listening on speakerphone, we ask you, please lift your handset before asking your question to provide optimum sound quality. Again, if you have a question, please press star one on your touchtone telephone. And our first question comes from Jeanine Wai with Barclays.

Jeanine Wai: (Barclays) Hi, good morning, everyone. Thanks for taking our questions.

Mike Wirth: Good morning, Jeanine.

Jeanine Wai: Hey, thanks for the time this morning and we appreciate the details and the presentation as well. For our first question we are wondering, can you discuss your plans or the possibility to either upgrade or convert from biodiesel to renewable diesel?

Mike Wirth: Yeah, Jeanine, the way I would encourage you to think about this is building out a platform. Biodiesel has a place in the market today and renewable diesel has a place and a growing place. This brings a set of feedstock capabilities and relationships, assets, and market access that when combined with Chevron's and our plans to convert units inside refineries will give us the kind of ability to optimize the value chain. To have balanced exposure across the value chain a variety of feedstocks, which can ebb and flow in terms of which are the most attractive different manufacturing facilities, product streams, and then ultimately blending and marketing capabilities to optimize value.

And in many ways, it's very analogous to what we've historically done in our petroleum-based business, where you run a variety of feedstocks through a variety of facilities to make a range of products.

And we believe we can add value to the biodiesel stream, particularly in California where through blending and uplift on the realizations, we can capture more of that. But this is not about necessarily converting the platform as much as growing the platform.

Pierre Breber: Hey Jeanine, its Pierre. The only add I would have to Mike is a big part of our commercial synergies relate to exactly what Mike described. And part of that is uplifting biodiesel as part of an 80 / 20 blend and then getting the credits in California and the added value from that.

Jeanine Wai: Okay. Great. Thank you for all that detail. Maybe our follow-up question is a little bit more specific on the numbers. We're looking at slide four with your estimates, and can you share just anything behind the assumptions related to your EBITDA estimates. For example, anything on the LCSF price or the biodiesel lending tax credit, or anything on feedstocks costs? Thank you.

Pierre Breber: Yeah, Jeanine. You're right. The EBITDA is a number of factors. You've got the heating oil to soybean oil sort of crack spread, you have RINs, LCFS, and then you have the feedstock relative to soybean oil and REG is a leader in the second use and waste products. And all three of those are moving around.

Right now, they operate in commodity markets that have cycles up and down. But if you go through LCFS credits are down a little bit. Feedstocks are a little more expensive right now, but if you look through to what we would call mid cycle, and what's embedded in our 2025 EBITDA, there's lots of puts and takes, but it's something that's pretty close in total to what we saw last year.

Jeanine Wai: Great. Thank you.

Mike Wirth: Thank you, Jeanine.

Operator: We'll take our next question from Manav Gupta with Credit Suisse.

Manav Gupta: (Credit Suisse) I would like to start by saying that I've been covering REG for about two years. It's been absolute pleasure. CJ always talked about building a world with lower carbon intensity fuels and Chevron is committed to lower-carbon projects. So, I'm very glad you're getting together. I will miss covering REG though.

My question is for CJ. CJ, you always talked about building downstream integration at REG, directly reaching to end customers that would lower the splitting of credits, also allow you to sell more blended RD and BD products. In Chevron, you're getting a lot more than that. So, looking at the synergies of $50 to $100 million, what's the upside to synergies here? We know Chevron and Noble synergies got doubled, so help us understand the upside here.

CJ Warner: Hi Manav. It's great to hear from you, and thanks for your kind words. There are a variety of things that this partnership is going to enable us to unlock. So certainly, the ongoing blending and the access to the market is going to be a significant one.

But it's so much more than that because we can accelerate our growth of RD. We can actually accelerate our access to a wider variety of feedstocks. I would say when you're looking at numbers like that, you need to think about it as extending all the way across the value chain because the combination really brings strength in almost every area or literally every area of the value chain.

Manav Gupta: Thank you for taking my question, CJ.

Mike Wirth: Manav, thank you, and thanks for the kind words. We intend to live up to your aspirations for us. Christina, we can go to the next question.

Operator: Yes. We'll take our next question from Neil Mehta with Goldman Sachs.

Neil Mehta:
(Goldman Sachs) Hey congratulations, everyone. And CJ, it's so great to hear from you as well. The first question is for you, Mike is you can just put this in context of your broader energy transition ambitions. And as you think about what you laid out at the energy transition day, we talked about $10 billion of investments over the course of the next decade and a lot of that was organic. Do you see, there is an opportunity to create value through incremental M&A as well, or is this a one-off with a unique opportunity? Any context around that would be great.

Mike Wirth: Sure, Neil. Yeah. I'll go back to what we laid out last year during our energy transition spotlight. And it was in the broadest terms two large things, one to reduce the carbon intensity of our existing business and then two, to grow new energy businesses to help customers reduce the carbon intensity of their portfolios. This obviously fits into that second category. And there, we indicated an intent to focus on renewable fuels, on hydrogen, carbon capture, and storage, and then also a need to be prepared to invest in offsets and some other emerging technologies.

We indicated that that would be a combination of organic and inorganic activity. And also, that because of some of the challenges in lead times involved in things like carbon capture and storage and hydrogen, that it was quite likely we would see what is already a renewable fuels business that we're in today. Albeit at small scale, that we might see that be the one where you begin to see some acceleration a little bit earlier than the other two.

I create all that context to say, this is really very consistent with what we outlined last September. We anticipate organic growth. And as I said before, we have a number of projects that Mark has talked about in our refineries, where we think there's very capital efficient opportunities to increase the flexibility to run different feedstocks. When you combine that with this strong position that has been built by REG, which is really the leader in this space, we just think that the lower carbon feedstock capabilities, this manufacturing platform that we can now bring together and grow over time, and the ability to pull through into the market. And again, I won't reiterate it, but I'll just say to optimize that entire value chain, the way we have for decades optimized, the hydrocarbon value chain creates the opportunity for increased commercial synergies for strong returns and for growth and so this fits in.

It's a large transaction relative to that $10 billion guidance you're right, Neil. You can think about this as having some pre-treatment infrastructure and other things that perhaps wasn't necessarily what we envisioned, but maybe half of [the ~$3 billion REG transaction] would be clearly in the realm of what we would've guided to [at the Energy Transition Spotlight in September 2021], which was around $3 billion-plus or minus, I think on renewable fuels. And we outlined some broad guidance for the others, which I'm sure will turn out, not to be precisely accurate, but indicative in terms of the commitment over time. And so sorry for the long answer, but I think it's going to be a combination of organic and inorganic. This is probably on the larger end of what you'll see us do from the inorganic point of view,

Pierre Breber: Hey, my only add Neil is – this is Pierre Breber. The Bunge joint venture also, which we just signed is another example of inorganic. You'd think of it that way because we're buying into existing crushing plants.

Neil Mehta: Yeah. Yeah. And thanks, Pierre. And then the follow-up around that is your broader M&A strategy. I'm sure we're going to talk about it in depth tomorrow, but I've always gotten the sense with you guys are counter-cyclical investors. And with oil up here, I'm guessing M&A in upstream is something you're going to be a little bit more skeptical of. Is it fair to say after the pullback in renewables levered equities that you're willing to be more offensive when it comes to renewable investment in inorganic M&A?

Mike Wirth: Yeah. Neil, we're value focused and I think that's really how you ought to think about it. We're not necessarily market timers. We are in a cyclical business. Things go up, things come down. Sometimes when things are tough, there's a little more opportunity to do deals, but really what we're looking for are deals that work for shareholders of both companies when you do a transaction that can create value over time. And we'll talk more about kind of the broader kind of traditional industry M&A tomorrow I'm certain.

Neil Mehta: See you tomorrow. Thanks, Mike.

Mike Wirth: Okay. Thank you, Neil.

Operator: And our next question comes from Ryan Todd with Piper Sandler.

Ryan Todd:
(Piper Sandler) Good, thanks. Yeah. Good morning. And how do you anticipate that REG's relationship and expertise, particularly on the feedstock side will impact how you build out your biofuels business, particularly in legacy Chevron assets or plans?

Will it impact at all the type of feedstocks or how you look to run the El Segundo conversion? And any just general comments on how the relationship will impact your – how you anticipate that it'll impact your ability to source advantage feedstock?

Mike Wirth: Yeah, Ryan. So, you're touching on what I think is one of the really powerful aspects of this combination. I said in my prepared comments, but in the fuels business, securing feedstocks is absolutely critical to your success. And so that's acquiring high quality feedstocks at good terms, consistently acquiring those, and having the flexibility to move them into the right manufacturing facilities with the right logistics, etc.

REG has been a leader in sourcing and aggregation of feedstock, particularly lower carbon intensity feedstocks. And in some of these waste oils, used cooking oil, distillers corn oil, tallow, etc. And no matter what your view is on how this evolves, in a growing market access to those feedstocks will be critical.

One of the reasons that we want to headquarter our renewable fuels business in Ames is much of this expertise resides in Ames. And we want to be sure that we preserve the talent, the IP, the synergy. And so that becomes kind of the epicenter for our renewable sourcing.

As we bring the Bunge joint venture into existence, we would look for that also to largely be managed out of that Ames facility. And we just think this is an area where REG has distinguished itself. It's an area that we don't – to be completely blunt, we don't have deep expertise. We've been moving into these markets, but REG brings decades of experience and people that have relationships, insights, technical understanding that we simply don't have. And we think that's a powerful aspect that underpins the value case here.

Ryan Todd: Thanks. And maybe one follow-up, that REG growth beyond the ongoing Geismar expansion has always been likely. And while Chevron, there're clearly been plans to grow RD capacity over time as well. So out of this combination impact the likelihood or location future expansions, are we more likely to see refinery conversions like El Segundo versus brownfield, greenfield expansions? And CJ, good to talk to you again, but how does this combination impact how you view the various metrics and qualifications that you've often talked about that dictate kind of expansion geography?

Mike Wirth: Maybe I'll put a quick front end on that Ryan, and then hand it over to CJ. I would say, like other aspects of our business, we now will have a portfolio of assets and a portfolio of project opportunities to evaluate. Brownfield economics historically have been advantaged over greenfield economics. If you've got a portfolio of assets that's the place that you often begin looking and that's what I would suggest is likely to be the case. Doesn't preclude greenfield investments at all, but it means we're going to be disciplined in building out a system that has the strength to be a very durable business over time.

CJ, I might hand it over to you to speak to Ryan's question about your historic perspective on these things.

CJ Warner: Yeah. Thanks, Mike. And hi, Ryan. I would just parallel what Mike is saying, and actually, it's going to be fun for us to work together and bring together the plans of both respective corporations because there's a lot there for us to build on. So certainly, refinery conversions are going to be very attractive. And bringing REG together with Chevron, I think will enable us to figure out how to do those things with a wider variety of feedstocks than may typically be available and that'll help us make the assets even more advantaged.

We also, as you know Ryan have been working on additional expansion possibilities, and so we're looking forward to bringing those together and then just optimizing our choices and continuing to build out. But certainly, the combination gives us a wider variety of optionality, which is always a great thing.

Ryan Todd: Thanks, and congrats everybody.

Mike Wirth: Thank you, Ryan.

Operator: And we'll take our next question from Jason Gabelman with Cowen.

Jason Gabelman: (Cowen) Hey morning, and congrats on the deal. I wanted to ask two questions, maybe one just on FTC approval process. It seems like second half 2022 close is maybe a bit longer than what we were expecting. Can you just discuss some of the considerations, including maybe west coast market concentration and/or concentration within the biomass-based diesel business? And I have a follow-up. Thanks.

Mike Wirth: Yeah, Jason. We're basically just putting a window out there. We don't anticipate any concerns.

In fact, unlike some other things we've done, this really isn't a consolidation amongst companies that do the same things. This is a combination of companies that largely do different things and so I don't see any market concentration or other issues that should be a concern.

That said, we've got a regulatory process to go through and we simply provided a window that is wide enough to cover a variety of potential scenarios, but we really don't have any underlying concerns that you should think about driving us towards the back end of that, but we just don't know until we get into it.

Pierre Breber: Yeah. And the front end is July 1st. That's only four months from now.

Jason Gabelman: Yep. Got it. Understood. Appreciate that color. The second question is just on thinking about a bio diversify for renewable diesel, I think the acquisition looks attractive from a multiple standpoint, but it seems like the industry is building out these projects at about half the per gallon cost of what you are acquiring REG at. Can you just discuss the rationale of going out and buying REG versus building facilities yourself and maybe potential limitations to building out within your portfolio that REG helps cover? Thanks.

Mike Wirth: Yeah, look we can put value on both the renewable diesel side of this, but also the biodiesel side of the business. And the other thing that may be harder when you're trying to unitize this to a dollar per gallon capacity it might be harder for you to work into that is the – I think we were talking about earlier with Ryan on the operational expertise, the technical expertise, the feedstock sourcing expertise that REG has. You can look at these things through a number of different lenses and I think you have to be careful not to mix apples and oranges here.

Low-cost build-out. I'll give you an example. In our refineries, we can build out at a pretty low capital cost, but we also have a relatively narrow range of feedstock alternatives. With a greenfield project or a project like Geismar, you can create a wider aperture for feedstock. You've got some more capital upfront, but then you've got a lot more flexibility over time. Very similar to a deep conversion refinery versus a simple refinery.

And so, a company with scale and commitment to a business like this ought to have a platform that enables both. And you've got feedstock flexibility, you've got efficiency, you've got scale and so we view this as critical in bringing these together. And offline Roderick could take you through a little bit of how you can think about allocating this. You guys have to do that in your own models, but I'd caution you not to oversimplify the value and the combination here.

And we've put what I'll call, I think a relatively modest range on synergies, which are not primarily cost synergies. There may be some things around interest expense or insurance or IT, whatever. But the bigger opportunity here is in next-generation feedstocks, it's in technology advancements, it's in optimization and market access. So, there's a lot of value that we expect to create above and beyond kind of a more simple spreadsheet, dollar per gallon kinds of metrics that you might look at in comparing one project versus another.

Pierre Breber: Yeah. And just to put, I mean, if you capitalize those synergies, in addition to the flexibility that Mike was talking about, I think you got to look at the capital costs after capitalizing the synergies, which we hope to exceed delivery on.

Jason Gabelman: Great. Got it. Thanks for that color. Really helpful and congrats again on the deal.

Mike Wirth: Okay, Jason. Thank you.

Operator: We'll go to our next question from Doug Leggate with Bank of America.

Doug Leggate: (Bank of America) Thanks. Good morning, everybody. Thanks for taking my questions.

Mike Wirth: Morning, Doug.

Doug Leggate: And likewise, looking forward to seeing you tomorrow, guys. So, fellas, you've talked a little bit about the multiple, but REG has a lot of NOLs, LCFS, blenders tax credit are obviously you have to make assumptions there. And then of course, ultimately there will be a cash taxpayer I'm guessing over time. I'm curious how you see the value of the deal. I understand the strategy. I want to understand the value of the deal because frankly, we're having a tough time seeing this as meaningfully impacting positive NPV, if you like. So, what's your sustainable free cash flow does this influence or the same question?

Pierre Breber: Well, the five times EBITDA once Geismar is up at full operations is pretty clear value. The synergies obviously are driving value there and free cash flow, after Geismar is completed, the capital requirements of the business are the minimis for a company like Chevron. So, it's very compelling financially and what it can contribute within the scope of our energy transition spotlight and the ambitions we talked about. We talked about a billion [dollars] of cash from ops by 2030 and this puts us well on that pathway towards that.

Doug Leggate: Thanks, Pierre.

Pierre Breber: And let me just address the tax. The way NILs work on transactions, there's limitations on what you're able to take each and every year. I wouldn't build in a lot. We talked about synergies being primarily commercial and some financial, and as Mike said, there's some interest cost savings that are included, insurance and things that are just the nature of a bigger company versus a smaller company. But I wouldn't put in your model a lot of tax savings.

Doug Leggate: Okay. Thank you for that. Let me take the specific offline, but my follow-up is on just the disproportionate scale of the deal is 1% your market cap and you've given up a board seat. I'm just wondering why give up so much board influence for this, was that necessary to get the deal done? And it just seems a little bit out of kilter with the scale of the deal to give up one-twelfth of your board.

Mike Wirth: Doug, I see it completely opposite. We are adding value at the board level with somebody who's got decades of experience in oil and gas, somebody who's got nearly a decade of leadership as a CEO of two different energy transition start-ups. We're not giving up, we're adding. Look, this is something that our board is excited about, I'm excited about. This was not something to make the deal go on down. This was something that I wanted. And I want to see CJ in our boardroom, and I want to have access to her experience and perspective in the lessons she's learned working around this industry for the last several decades. It'll make us a better company.

Doug Leggate: I appreciate your perspective, Mike. Thank you.

Operator: And we'll go next to Phil Gresh with JP Morgan.

Phil Gresh: (JP Morgan) Hey, good morning. Just a follow-up, I guess, on the initial question around some of the EBITDA guidance items. Number one is there an assumption that the BTC is still in place in 2025? And number two in slide six, you talk about third-generation feedstock potential, and I was curious if that was something that you had anticipated would be ready and implemented by 2025, or is that more of a longer-term initiative?

Pierre Breber: We've taken a haircut on the blender's tax credit. It's something that's been around for more than a decade. It's supposed to expire at the end of this year, and then we'll see if it gets extended. But as you know, depending on whether it exists or what level it's at, we'd expect markets to rebalance to compensate some for it. So yes, we are assuming some blender's tax credit, but we've risked it.

In terms of third-generation or next generation stocks, we're not speculating on anything. REG has extensive work in this space. We have work in the space. We're looking forward to combining our capabilities there. But the $500 to $600 [million] EBITDA is, as I said to Jeanine's question basically a set of assumptions. There's a number of them. I won't go through each individually, but collectively with puts and takes, gets us pretty close to where we've been in the past year. And it's just based on existing acquired businesses with the significant Geismar expansion fully up and running.

And I should add synergies are included. It's based on our model, so it's going to have all the elements that we've talked to you about.

Phil Gresh: Yeah. I think the essence of the question was just that the $500 to $600 million whether you believe consensus or not. It's above consensus, even including those synergies. So, people just don't understand some of the moving pieces there. That's all.

Pierre Breber: Well, I think the last time I looked at, there was one estimate out that far. A lot of analysts don't go out very far. So, I wouldn't rely on – I'm not sure if one estimate can be a consensus. It's very in line with the historical performance of REG with a significant expansion on its way.

Phil Gresh: Yeah. Okay. Understood. And then just a final clarification, I guess it sounds like the $3 billion of spending here for this acquisition is considered to be separate and distinct from the $10 billion of the organic spending. I'm just curious if with the $10 billion of the organic spending, does that shift those priorities at all, in terms of the mix of that. Would it move more away from renewable fields into other things, or just does it change the pattern that you're thinking of moving forward, Mike? Thanks.

Mike Wirth: Hey Phil, if I left you with that impression, let me try to correct it here. The $10 billion was always intended to be a mix of organic and inorganic and in a field like this where a lot of things are just being created, we are looking at other [companies], who've got ideas, we're doing things in all the areas we've talked about and that would include hydrogen carbon capture addition to renewable fuels. So, the $10 includes both. We had guided, I think round numbers, [around] $3 billion on renewable fuels, $3 billion on carbon capture, $2 billion on hydrogen, $2 billion [carbon reduction projects].

Those were broad contours of what to expect over several years with a lot of technology market policy development still to come. It was simply to give some kind of broad shape to what we would expect to do.

This clearly is a big step forward on renewable fuels because an existing business today can drop right into – value chains can supply customers and very compatible with our operations today. And as I said, you might want to think about half of [the ~$3 billion] as being part of [the renewable fuels capital target], and then maybe half of [the ~$3 billion], because it's – whether it's pre-treatment or other areas that you'd say, well, is that really part of your renewable fuels value chain?

We might have some other things we've done. Bunge as Pierre mentioned, we announced that last week but we're not going to change the $10 billion number. We just put it out a couple of quarters ago and it was a multi-year guide. Look, over time as we learn more, as we evaluate more opportunities, we'll continue to give you color and detail and build this out. And if at some point that guidance needs to be refreshed, we'll do so.

Phil Gresh: Got it. Thanks for the clarification.

Mike Wirth: You bet, Phil.

Operator: And we'll go to our next question from Sam Margolin with Wolfe Research.

Sam Margolin: (Wolfe Research) Hey, everybody. Thanks.

Mike Wirth: Hello, Sam.

Sam Margolin: I cover both sides of this too, and I'm guilty of not having a 2025 estimate published.

Yeah. Maybe next time. So, my question is about the Bunge JV, and I would love the perspective from both sides of this too with CJ as well. But so, you're bypassing the crush, which is taking a lot of rent right now. And it stands to reason that as this industry gets more competitive, the crush might keep going higher if that's one of the factors, should we think about that as part of the synergies, or is that equity position more of a hedge, if you will?

And then for CJ, obviously there was a lot of capital that Chevron put up to get into the JV, outside the capabilities of a smaller company. Is that something that you think if REG had unlimited capital, would you have done something like that too? Thank you.

Mike Wirth: Okay. Let me try to start and then I'll hand over to CJ and Pierre might have some thoughts to add in here as well. We're talking about building out a resilient, durable renewable fuels business. There are a variety of feedstocks and there are different places along the value chain where rent can be captured. Again, it's not that different from our traditional business. We've got everything from light oil to heavy oil, to other feedstocks that we can bring into a refinery and move it all the way through to market and the margin moves along the value chain over time in these big commodity markets.

And this is about building out a platform that has optionality, that has scale and capital efficiency, and that we can optimize as the crush may widen or may come in as policy may incentivize different feedstocks or different kinds of market dynamics over time. We can't predict all of these things. What we can do is invest in capital-efficient capability that we believe over time provides an efficient, resilient model that if you're going to optimize across that entire value chain, you can extract strong returns.

Whereas people, who are more narrowly exposed, say to the soybean crush, they may enjoy periods of time where returns are very strong. But there may be other times in a cyclical business where they're quite the reverse. We're not trying to uniquely capture one piece of that. We're really trying to build this balanced exposure across the value chain from feedstock to a customer and be a strong operator and efficient operator, reliable high-quality operator, and a capital disciplined operator to capture value.

I'll hand it over to CJ to, I guess, answer the speculative question Sam, about what would've been the case had things turned out differently.

CJ Warner: Thanks, Mike. And hey, Sam. What Mike is talking about, you've heard me talking about as well, which is the upside value of optimization and the differential value that an operator in this industry would have when there is optionality, and an awful lot of the other parts participants really don't have much of that. We've basically gone exponential on that by creating the combination between Chevron and REG.

Our optionality is going to go up and that's where the answer to your question lies is this creates additional optionality with the Bunge JV on the vertical integration and additional feedstock selection. And by having a larger system, we have more choice as to where to route those feeds and how to optimize the pathways as well as the margin capture for those feedstocks. So, pulling it all together just creates additional upside and synergistic value, which is very exciting.

Sam Margolin: Thank you so much.

Operator: We'll take our next question from Paul Sankey with Sankey Research.

Paul Sankey:
(Sankey Research) Hi everyone. Guys, just going back to this [2025 EV to EBITDA] multiple that we're all talking about. What are your assumptions are you assuming the biodiesel business is going to be profitable in that [2025] number? And also, could you talk a little bit about how you see the credit price, the low carbon fuels credit price in California by the time we get there? Thanks.

Pierre Breber: So, Paul, we're not going to give you our forecast on all the different components that I've covered here a couple times already. As I said, there's puts and takes on them and we assume kind of mid-cycle and they balance out to something that's kind of per unit pretty similar to what we saw last year. And what was the first question, first part?

Paul Sankey: Do you think the biodiesel is going to be profitable?

Pierre Breber: Oh, biodiesel. Yeah. Look, the biodiesel margins are obviously thinner. We know that. Again, part of the synergies we've talked about is how we can upgrade more biodiesel in the RD 80 / 20 blend. You can think of the majority of the EBITDA coming primarily from RD, or what RD enables for biodiesel. Thanks, Paul.

Paul Sankey: All right. Look forward to seeing you tomorrow. Thanks.

Pierre Breber: See you tomorrow.

Mike Wirth: Thanks, Paul.

Operator: And our last question comes from Roger Read with Wells Fargo.

Roger Read:
(Wells Fargo) Hey, good morning. Last hopefully, not least. Just really, I guess, a couple questions to clarify some of the things have been said on here. It sounds like a lot of this is sort of tech-related Mike and help me out maybe a little on beefing that up.

And then the second question I have, and this was going back, and I do not follow a Renewable Energy Group, but I did attend the October 2020 presentation. It always stuck in my mind slide

63, had idea of all the feedstock that was available versus the feedstock that was likely to be used in the sort of near to medium term and there's an awful lot of feedstocks available.

Yet on the call, the discussion has been, we need access to advantaged feedstock. So, I'll just, maybe it's for you, Mike, or maybe it's for CJ. Just how do you see this sort of world of significant feedstock yet world of advantaged feedstock you want, and maybe how REG helps bridge that gap?

Mike Wirth: Okay. Well, Roger, look, we did save the best for last. I am not familiar with slide 63 of the presentation but let me try to give you a couple of thoughts. One on you asked about technology, look, this is a technology-enabled business. And sometimes it seems to me like people oversimplify what it can take in order to do many things in our industry and to assemble feedstocks from diverse sources that REG does today and manufacture a product that meets exacting quality standards that performs in a variety of engines and does so reliably and consistently takes a lot of technology.

Number two, the technology for advanced feedstocks is something that in this space has been worked, whether you're talking about universities, national labs, agribusinesses for quite some time. And I think there's still like so many other aspects of our economy today technology can change the equation, and there's a lot of smart people working on ways to add value here. And I'm an optimist that we're going to see breakthroughs that continue to make this a stronger business.

When you talk about all the feedstock in the world, I guess I'll draw an analogy. There's an enormous amount of hydrocarbon in the world, in theory. Actually, unlocking that hydrocarbon, getting it into the right refinery at the right price, with the right logistics, and into the marketplace is no simple thing. When you're talking about bio-based feedstocks, the planet's a big place.

There's a lot of things that grow and there's a lot of sources of waste materials, in theory. In practice, you've got to have the right feedstocks in the right place at the right time with the right quality specifications, logistics, economics, HSE, and everything else that goes with it. And these hypothetically abundance resources in any part of the global economy, in practice, they have to be translated through a complex system and value-adding products. And that takes a lot of hard work.

The final thing I would say is, I think a lot of people tend to look at these products today and they think of diesel going into California. And it's maybe the easiest place because you've got the low carbon fuel standard on top of the RFS. Our Marine customers are looking for solutions. Our aviation customers are looking for solutions. Our rail customers are looking for solutions. These are big segments of the economy. These are big consumers of energy.

And particularly when you talk marine and rail, these are big consumers of distillate products today that are not easily electrified. And this is a market that can continue to grow as large entities have made their own low carbon energy transition type commitments on emission reductions. And we intend to work across along the value chain all the way out to these end-use customers to find a way to help them achieve their goals.

CJ, you might have a better familiarity with slide 63 from the deck that Roger is referring to than I do.

CJ Warner: Yeah. Thanks, Mike. I just want to first build on what you just said about the marine and rail markets and biodiesel because with the larger, slower-moving high power engines of marine and rail, biodiesel is actually a preferred molecule over renewable diesel, especially in marine. And this is an emerging market where that sector is just starting to decarbonize. So, it's definitely an additional outlet for customers to watch for biodiesel demand.

But going back to the bigger question and the slide that Roger's referring to, I think Mike, you articulated it very well, and it is striking how the analogies between the petroleum world and the bio-oil world are strong. And it is true there is an abundance, we believe of bio-oils out there. How you get access to them, how you process them, what sort of pathways you're going to be able to assign to them are all part of the equation.

There are some feedstocks that are advantaged for some operators, but not for others. And so, it's definitely all about the configuration of your conversion system, the compatibilities of the different feeds that you're processing. and the markets to which you're serving.

Mike Wirth: Okay. CJ, thank you. And I believe Roger was the last person in the question queue. I want to thank everybody for dialing in. I realize that this isn't what you had planned to do with your Monday morning, but we're really pleased to have a chance to share this with you. I know many, if not most of you that phoned in will be attending our Investor Day tomorrow. Many of you in person, some perhaps virtually.

We look forward to talking to you tomorrow more about this. Mark [Nelson] will be here as part of that discussion tomorrow and can go much deeper. He and CJ have already been talking about how we're going to work together to deliver the performance we've been talking about. And of course, we'll have other things to discuss tomorrow.

CJ, thank you for joining us, and Christina, thank you for facilitating the call. Everybody stay safe and have a good day.

CJ Warner: Thank you all. Take care.

Operator: This concludes the conference call. You may now disconnect.