

✓ **Event Details**

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Company: Methanex Corp.
Ticker: MX-CA

✓ **Company Participants**

Robert Winslow - Methanex Corp., Vice President-Investor Relations
Rich Sumner - Methanex Corp., President, Chief Executive Officer & Director

✓ **Other Participants**

Joel Jackson - Analyst
Ben Isaacson - Analyst
Hamir Patel - Analyst
Steve Hansen - Analyst
Jeffrey J. Zekauskas - Analyst
Christopher Silvio Perrella - Analyst
Nelson Ng - Analyst
Matthew Blair - Analyst
Laurence Alexander - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

00:00:03 Good morning. My name is Kate, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Methanex Corporation Fourth Quarter 2025 Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. Thank you.

00:00:37 I would now like to turn the conference call over to the Vice President of Investor Relations at Methanex, Mr. Robert Winslow. Please go ahead. Mr. Winslow.

Robert Winslow

00:00:48 Good morning, everyone. My name is Robert Winslow and I recently joined Methanex as Vice President, Investor Relations. Welcome to Methanex's fourth quarter 2025 results conference call. Our 2025 fourth quarter news release and 2025 annual report were posted yesterday and can be accessed through our website at methanex.com.

00:01:13 I would like to remind listeners that our comments today may contain forward-looking information, which, by its nature, is subject to risks and uncertainties that may cause the stated outcome to differ materially from actual results. We may also refer to non-GAAP financial measures and ratios that do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Any references made on today's call reflect our 63.1% economic interest in the Atlas facility, our 50%

economic interest in the Egypt facility, our 50% interest in the Natgasoline facility, and our 60% interest in Waterfront Shipping. To review the cautionary language regarding forward-looking statements and to find definitions and reconciliations of the non-GAAP measures, please refer to our most recent news release, MD&A, annual report, and investor presentation, all of which are posted on our website under the Investor Relations tab.

00:02:18 I will now turn the call over to Methanex's President and CEO, Mr. Rich Sumner, for his comments followed by a question-and-answer period.

Rich Sumner

00:02:28 Thank you, Robert, and good morning, everyone. We appreciate you joining us today to discuss our fourth quarter 2025 results.

00:02:36 I'd like to start the call by thanking all our global team members for their continued commitment to responsible care and safety, which remains at the core of our company's culture. Over 2024 and 2025, we've had the best two -year safety performance in our company's history even as we navigated significant changes to our asset portfolio and supply chain. As a demonstration of these results, we've had zero Tier 1 process safety incidents over the past two years and recorded only 0.09 and 0.12 recordable injuries per 200,000 hours worked in 2024 and 2025, respectively, compared with the chemical industry average of 0.59 in 2024. These outstanding achievements are a testament to our employees' and contractors' continued focus on strong planning, hazard awareness, and reliable behaviors. Turning now to a financial and operational overview of the company.

00:03:35 Our fourth quarter average realized price of \$331 per tonne and produced sales of approximately 2.4 million tonnes generated adjusted EBITDA of \$186 million and an adjusted net loss of \$11 million. Adjusted EBITDA was lower compared to the third quarter of 2025 as higher sales of produced methanol were offset by a lower average realized price and the impact of immediate fixed cost recognition related to plant outages in the fourth quarter. Turning now to industry fundamentals.

00:04:09 We're closely monitoring the current events in the Middle East region and its impact on global markets and our business. Looking back on the fourth quarter, we estimate that global demand increased in China by about 4% while demand outside of China was relatively flat. The increased demand in China in the fourth quarter compared to the third quarter was driven by increased demand for methanol and to energy applications and higher operating rates by methanol to olefin producers, the latter also being supported by high operating rates and import supply availability from Iran. Steady imports from Iran, particularly through October and November, also led to higher coastal inventories in China, which pushed pricing towards the \$250 per metric tonne range. Towards the end of the fourth quarter, we believe seasonal gas constraints significantly reduced Iranian output, leading to MTO producer's reduced operating rates in response to decreasing supply.

00:05:09 Through the first quarter of 2026 up until current market escalations, our average realized pricing has been quite stable with some small increases on slightly tighter supply conditions. After considering first quarter posted prices and factoring in higher customer discounts through recontracting for 2026, our first quarter average realized price is estimated to be between \$330 and \$340 per tonne.

- 00:05:35 The current escalation in the Middle East brings significant uncertainty to reliability of methanol supply to the market from this region. We continue to see significantly reduced methanol supply from Iran. And we believe it is also impacting operations and trade flows from other producers. This has led to an increase in spot methanol pricing in Asia Pacific and Europe with Chinese methanol prices now trading above \$300 per metric tonne and European spot prices now trading close to \$400 per tonne. Now, turning to our operations where our methanol production was higher in the fourth quarter compared to the third quarter.
- 00:06:14 Starting with our newly acquired assets in Texas, we produced 216,000 tonnes at Beaumont and 186,000 tonnes from our equity share of Natgasoline. During the fourth quarter, Beaumont experienced a short, unplanned outage, and Natgasoline took a planned 10-day outage to replace a catalyst that's important to environmental compliance. We've been actively working with both of these manufacturing sites on integration plans, completing detailed reviews of systems, and technical findings, and are pleased with the progress to-date.
- 00:06:52 In Geismar, production was slightly higher in the fourth quarter as all three plants operated reasonably well, although we did experience some minor unplanned outages. In Chile, after completing a planned turnaround in September, we operated both plants at full rates for most of the fourth quarter, utilizing gas supply from Chile and Argentina. During December, a third-party pipeline failure caused a temporary restriction on gas supply to our facilities. And this resulted in approximately 75,000 tonnes of lost production. The gas supplier developed a resolution to this issue in early 2026, and we're now operating both plants at full rates, which we expect to sustain through April.
- 00:07:32 In Egypt, we had higher production in the fourth quarter as the third quarter was partially impacted by seasonal gas availability constraints. There's been stabilization of gas balances in the region, but some continued limitations on supply to industrial plants are expected going forward, particularly in the summer. The plant is currently operating at full rates and we're closely monitoring the regional situation for any potential impact on gas supply to the plant.
- 00:08:01 In New Zealand, we produced 171,000 tonnes as increased gas supply was available in the non-winter season. Notwithstanding the short-term dynamics, structural gas supply availability in New Zealand continues to be challenging, and we're working with our gas suppliers and the government to optimize our operations in the country. Our expected equity production for 2026 is approximately 9 million tonnes of methanol. Actual production may vary by quarter based on timing of turnarounds, gas availability, unplanned outages, and unanticipated events. Now, now, turning to our current financial position and outlook.
- 00:08:41 During the fourth quarter, solid cash flows from operations allowed us to repay \$75 million of the Term Loan A facility and ended the year in a strong cash position with \$425 million on the balance sheet. Since the start of 2026 we've repaid a further \$50 million and the balance of the Term Loan A facility is currently at \$300 million.
- 00:09:05 Our priorities for 2026 are to safely and reliably operate our business and continue to deliver on our integration plan. We remain focused on maintaining a strong balance sheet and ensuring financial flexibility. And our near-term capital allocation priority is to direct all free cash flow to the repayments of the Term Loan A facility.
- 00:09:52 Based on a forecasted first quarter average realized price between \$330 and \$340 per tonne and similar produced sales, we expect slightly higher adjusted EBITDA in the first quarter of 2026

compared to the fourth quarter.

00:10:05 We'd now be happy to answer your questions.

QUESTION AND ANSWER SECTION

Operator

00:10:13 Your first question comes from the line of Joel Jackson with BMO Capital Markets. Your line is open.

Analyst: Joel Jackson

00:10:18 **Question – Joel Jackson:** Thanks, everyone. Welcome aboard, Rob, nice to hear from you again. Rich, team, can you talk about cost? So, if you look at Q4 and we think of cost, not gas cost but other cost, logistics and other things going on, can you talk about what does that look like into the first half of this year and Q1? Seems like costs have really elevated. What's going on? Are there any artifacts, some of the things going on with the OCI, taking over the OCI assets? Thanks.

00:10:47 **Answer – Rich Sumner:** Thanks, Joel. Yeah. I mean, a couple of points I'd make on cost is we did see that the unabsorbed costs come through. That's really about how the assets ran through December. We saw some outages there that just results in immediate recognition of those costs to the P&L. As we think into where we were, our fixed cost we would expect those to come down. Our ocean freight was probably a longer supply chain in the third and fourth quarter. As we said, we do have probably a higher percentage of sales coming through in the last few quarters as we – higher than we expected as we move into the new year with our contracted position. And then, we have not yet – we're not all the way through the OCI transaction. So, right now, we are spending costs as we move through to create the synergies post-deal. And that will happen through 2026 and when we get into 2027. So, we're not all the way there obviously. And what we do need to do is to continue the integration plans. And as we move through, we'd expect beginning in 2027 that our fixed cost structure also adjust down to the new base of the business.

00:12:14 **Question – Joel Jackson:** Okay. And then, the second question is obviously we all know what's going on in the world. And there's a lot of methanol sitting in Iran and Saudi and around the Middle East. You obviously set your contract prices. You posted prices for March just on the onset of this. It's early but what do you think is going to happen here in the market? Like if this continues, can you talk about what would we see in the short term, in the medium term as you see your business potentially changing from what's going on?

00:12:41 **Answer – Rich Sumner:** Yeah. For sure. I think, for us, I mean, I think our first priority here is our supply to customers. And I think this is where our reliability of supply and our global supply chain really demonstrates its value. And where we are today is that's our first commitment. Pricing has obviously increased in all regions with anticipation of tightness coming out because – the amount of tonnes on the internationally traded market here is quite meaningful. That's currently impacted. So, our first commitment is to our customers. And as of right now, we'll see some benefits because of the tightness on pricing through March. But the real reset will come through into the second quarter.

00:13:34

I think we're talking about around 15 to 20 million tonnes of the globally – internationally traded methanol market here. So, it's a significant impact, which will ultimately impact all global markets, and we've seen pricing come up around the world. And we're watching things really closely here obviously with our customers, trying to make sure we keep them whole while also looking at the risks on the global market and potentially some demand disruption that could come out of the market as well. So, watching things very closely and we're really talking to all our suppliers or all of our customers about how we can keep them supplied through this.

Operator

00:14:19 Your next question comes from the line of Ben Isaacson with Scotiabank. Your line is open.

Analyst:Ben Isaacson

00:14:26 **Question – Ben Isaacson:** Thank you very much and good morning. I have a question and a follow-up. Rich, can you remind us how opportunistic are you able to be when we have price spikes? I know most of your volume is contracted. So, can you just talk about how you can take advantage of short-term price spikes, and is there some kind of lag in that recognition?

00:14:47 **Answer – Rich Sumner:** Thanks, Ben. Yeah, I mean, we're a term contract supplier, so our first priority is our commitment to our customers. And we raise that price monthly. So, right now, we're selling based on our March contract price. And we would expect, under current conditions, that we would be resetting into April to be reflective of the market. So, our first priority right today is the security of supply to our customers globally. Of course, there are certain mechanisms in our contracts, which may adjust up slightly, and that's built into our forecast. So, you could see that there could be a little bit of a push up in there in our kind of guidance on where pricing is for the first quarter. But generally, it will reset into April. And our first commitment is really about how do we make sure we keep the industry operating for our customers and really to help them take care of their business.

00:15:49 **Question – Ben Isaacson:** Great. And then, thank you for that. And my follow-up is in the Middle East. I know things are moving very quickly. Are you aware factually of any damage to methanol assets or export through a port infrastructure in Iran and are you seeing a slowdown in gas flow from Israel to Egypt? Thank you.

00:16:11 **Answer – Rich Sumner:** Thanks, Ben. No, we're not aware of any damage to any methanol facilities. We're monitoring the situation really, really closely. As far as it relates to the gas supply from Israel into Egypt, our understanding is that gas is not flowing, that they've all but shut down the gas imports from Israel today. We're working really closely with our gas suppliers in Egypt. Our plant continues to operate. It is the low season in terms of demand on the gas grid in Egypt. And the Egyptian government has been getting an excess supply or more supply through LNG imports. So, so far, we've got sustainable operations there, but we're watching things and monitoring them really closely.

Operator

00:17:05 Your next question comes from the line of Hamir Patel with CIBC Capital Markets. Your line is open.

Analyst:Hamir Patel

00:17:12 **Question – Hamir Patel:** Hi. Good morning. Rich, in your first guidance for Q1, you referenced the new customer discounts for 2026. So, how should we think about how much maybe on an annual basis those have shifted? And will that largely be apparent in Q1 or will it adjust over the year?

00:17:33 **Answer – Rich Sumner:** I think the Q1 is sort of the re-se, Hamir. What we will wind up seeing is that when we think about where our realized pricing is for Q1, if you go sort of region by region, China is going to be up because we saw that supply through Q4 built in China. So, China is going to realize more in Q1. The European contract settlement actually results in slightly lower pricing for Q1 compared to Q4. And then, when we look at where North America, Latin America, and Asia Pacific are, they're kind of relatively flat on a realized basis. So, that should be a resetting. The discount for Q1 should be consistent through or a good guide for the rest of the year. And then, on an average realized basis, we're expecting to be up a little bit. And this is all pre the current developments, right? So, I think prior to the current situation, we were going to be slightly up mainly because of China and factoring in all those other considerations.

00:18:46 **Question – Hamir Patel:** Okay. Great. And, Rich, with respect to the 2026, the 9 million tonnes production guide, can you give us some color on some of the regional puts and takes embedded in that? I imagine the Egypt piece is probably maybe the most fluid

00:19:01 **Answer – Rich Sumner:** Yeah. I think you can think of it in terms of these number is about 6 or a little over 6 million tonnes in North America, about 1.3 to 1.4 million tonnes for Chile, which is consistent with where we were last year, around 0.5, 0.6 million tonnes for Egypt, which is obviously less than (00:19:24) 80% operating rate. And then, Trinidad would be – one plant would be really the Titan plant, around 800,000 tonnes. And then, New Zealand, our guide for New Zealand is less than 0.5 million tonnes and that's because of the situation we're faced with in New Zealand on gas supply. So, those are rough numbers to help you with kind of breaking that out by plant.

Operator

00:19:53 Your next question comes from the line of Steve Hansen with Raymond James. Your line is open.

Analyst:Steve Hansen

00:20:00 **Question – Steve Hansen:** Yeah. Good morning. Thanks for the time. I just want to go back to the discount issue or perhaps even just the weighted average global price just as we think about the shifting dynamics there. It did strike me that the realized price came in lower. But not just because of the discount, but because of that global weighted spread or global weighted average I should say. Has there been a material shift in the sales mix here in the last two quarters relative to prior? It does seem that the formulas we used in the past are becoming outdated. Thanks.

00:20:30 **Answer – Rich Sumner:** No, I think what we do is we give guidance in terms of percentages, in terms of regional allocations there, Steve. So, I think you can use those as a good guide. And I think the proportion of China was higher as we moved through Q4 for sure, and that's partly because when we acquired the assets, we did inherit a fairly large uncontracted position from the OCI business, we've contracted into Q1 now. And I think what you'd see is that if you worked the

percentages and the pricing, you'd get close to our ARP. But I think we can help you with that offline if, for some reason, it's not adding up.

00:21:19 **Question – Steve Hansen:** Okay. No, that's very helpful. And just on the operational rhythm or cadence at the new facility in Geismar, it sounds like things are running well now. But just to give us a sense for, again, that cadence, is it running sort of to plan and I think you suggested even full rates? But, I mean, is there anything else in sort of the tempo that we should expect to change over the balance of the year whether it be turnarounds or other major hiccup? Thanks.

00:21:48 **Answer – Rich Sumner:** Yeah. No, we're pleased with the operations in Geismar. We've gotten through the ATR challenges that we had, and we feel really good about the way the asset is running. So, in a lot of ways it's about just continuing to ensure safe, reliable operations in Geismar, and the team is doing a fantastic job there. So, we've put those issues behind us, and right now we've got a really good stable production coming out of Geismar.

Operator

00:22:18 Your next question comes from the line of Jeff Zekauskas with JPMorgan. Your line is open.

Analyst: Jeffrey J. Zekauskas

00:22:26 **Question – Jeffrey J. Zekauskas:** Thanks very much. I remember that you were less hedged on gas at Beaumont and Natgasoline. Is your hedging now consistent with your other North American plants? And when there was that gas spike at the end of January, was that something that you felt or you were hedged against it?

00:22:52 **Answer – Rich Sumner:** Yeah. Thanks, Jeff. So, our hedging today and what we're guiding towards is about 50% hedged for our North American assets, and that's across the whole portfolio. We did see gas pricing, as we always see, come up through the winter period. And then, we did hit the gas spike. We'll talk more about our operations when we get to our first quarter results. But we would expect and normally expect gas prices to come up. And then, we have different ways that we manage that. So, we would have had some open exposure, but we would have been managing (00:23:34) more about that in our first quarter.

00:23:38 We do expect the gas pricing and that's part of the guide. Really when we look at slightly higher earnings, part of the reason that it's slightly higher and not higher is because there is a bit higher gas cost coming through in the first quarter compared to the fourth quarter, which we'll give more information on when we go to disclose that in the coming weeks here.

00:24:06 **Question – Jeffrey J. Zekauskas:** Okay. And in Trinidad, do you expect your operating rates to rise relative to the fourth quarter or fall in the first quarter?

00:24:17 **Answer – Rich Sumner:** What we've got in Trinidad, we're running the one plant, the smaller Titan plant based on a gas contract for the plant. So, we're expecting that operation should be very consistent. And, yeah, we'll operate that plant. Our main focus is going to be on gas contract renewals for the Titan facility. That contract comes up at the end of – in September timeframe. And we would expect to have good operations from that plant up until that timeframe.

00:24:55 We are looking at the contract renewal already. Most producers are already in discussions for their gas recontracting, feedstock recontracting in Trinidad. And we're making sure we're in discussions as ours comes up later in the year. But I would anticipate that we're running that plant at similar rates to last year until that time.

Operator

00:25:22 Your next question comes from the line of Josh Spector with UBS. Your line is open.

Analyst: Christopher Silvio Perrella

00:25:28 **Question – Christopher Silvio Perrella:** Hi. Good morning. It's Chris Perrella on for Josh. As you had lower production on the OCI, the acquired assets sequentially, can you just give us an update on the integration there? And sort of what the cost puts and takes over the course of 2026 or what you guys are budgeting in there for the spend to get the synergies?

00:25:52 **Answer – Rich Sumner:** Yeah. No, the first thing I'd say about the assets is we're really pleased with the way the operations are going there. When we modeled on the acquisition, we used operating rates at around 85% to 90%. And we've definitely achieved over and above that since we've owned the assets. We're really impressed with the teams that we're working with, and we're really working collaboratively together to bring our global expertise and work with the expertise at both space to create value from the assets. So, we're really happy with that.

00:26:31 We did have some downtime in Natgasoline. And that was really partly an environmental compliance, getting ahead of environmental compliance there and taking a proactive outage. And then, we did have some minor downtime at the Beaumont plant as well. So, really happy with the way the assets are running and as well the other parts of the integration. We did have as we had (00:27:02) we said about \$30 million in synergies that we were targeting to realize by the end of 2026. We've realized some of those but you also have to take on higher costs when you're integrating systems, and you're integrating teams and other things during that phase. So, we're in the middle of that right now. And we'd expect to try to complete that as we move through 2026 and then have realize the \$30 million in synergies as we move into 2027.

00:27:35 **Question – Christopher Silvio Perrella:** I appreciate that. Is there a step-up in the spend there in the year or is that cost now kind of baked in on a go-forward basis, at least through the end of the year? And then, can you just – has the gas supply situation in Trinidad, absent the contract, improved since the events in Venezuela?

00:27:57 **Answer – Rich Sumner:** Yeah. So, to the first question about the spend there increased, I would say no. When we did the modeling around the deal, we would have set a certain assumption around operating rates and we would have set an assumption around CapEx spend on average per year. The two things I'd say to that is the plants have been operating above our assumptions on the deal. And the second thing is both of the assets have come off of turnarounds in 2024 and 2025. So, really, the CapEx spend relative to where we had deal assumptions, which would have been an average, are much lower in the early phase of the asset acquisition, which is good for us because we're in a deleveraging period.

00:28:47 On your second question, which is in regards to Venezuela. Yes, so there's announcements about fields being developed there for import into Trinidad. So, that is a longer term positive. When we

look at the drag on field that's recently been announced, the things I would say is, one, the size of these fields relative to the demand and supply gap, more than just the drag on field needs to be developed. So, there are other fields also being developed, but that's going to take time. It's going to take a lot of progress. And then, ultimately, we're also going to need to ensure that the commercial agreements and pricing that is for that gas allows that to make sense long-term for methanol. So, there's a lot to be done there. And our focus is really on the short term right now is how we're operating our plants in Trinidad with a contract renewal that's ahead of us before any of this gas (00:29:50) could come on.

Operator

00:29:55 Your next question comes from the line of Nelson Ng with RBC Capital Markets. Your line is open.

Analyst:Nelson Ng

00:30:02 **Question – Nelson Ng:** Great. Thanks and good morning. Quick question on the supply/demand dynamics. Rich, you talked about potential demand distraction. Can you – like I think you talked about in the past how MTO facilities are like their economics are somewhat challenged. Like do you expect a large reduction in MTO demand? And also, from your customer perspective, do you have a sense of how price sensitive they are?

00:30:37 **Answer – Rich Sumner:** Yeah. So, thanks, Nelson. Yeah. There's a lot of dynamics going on obviously right now. So, we've seen, just in terms of MTO and MTO affordability, to your point, the price in methanol is rising, but so is the price downstream in the olefins market. And that's because it's (00:30:59) methanol is constrained but so is naphtha, so is all the oil derivatives that come out of the Middle East, which means that the pricing has gone up, which means olefins pricing has gone up, which means that makes methanol more affordable.

00:31:13 So, there's a lot of dynamics at play right now. You're actually uplifting China price but their pricing in the downstream has gone up, too, so the affordability dynamics are changing as well. So, there's a lot in play. I think what's going to happen here is depending on the restriction on supply, it's going to be, okay, how did that supply get directed into which markets, and then what does that do to price. So, we're watching things really, really closely. But right now, all energy and energy derivatives are lifting up because the demand/supply gap continues to grow every day that there's disruption in that region and not a lot of product flowing out. So, we're going to monitor this really closely. Our commitment is to work with our customers and on security of supply. And certainly, we see the forecast would be there's going to be pressure until some relief comes into the market.

00:32:15 **Question – Nelson Ng:** Okay. Got it. And then, in terms of your production in New Zealand, it's staying relatively low in 2026. Like I presume that facility is marginally profitable. So, I just want to get your sense on like what are some of the factors or some of the key factors you look at in terms of making a decision to potentially like mothball that last plant?

00:32:44 **Answer – Rich Sumner:** Yeah. Thanks. So, I mean, really, it's coming down to gas production and gas development and production out of the fields. These are very mature fields. Outside of the existing fields, there's not a lot of new exploration going on. So, our concern would be that we have seen – the forecast continue to decline. And in that industry, you have to see capital going in and you have to see development consistently happening for your operations to be sustained. So, we're watching things really, really closely.

00:33:23 Today, we've got a profitable operation, but we are operating, when there's – even when there's, peak gas available, we're still operating one plant at less than full rates, which is not ideal. So, we're watching things really closely and we're working with gas suppliers as well as the government to sustain the operations, but it is a tough outlook right now.

Operator

00:33:52 Your next question comes from the line of Mateo (sic) [Matthew] (00:33:54) Blair with TPH. Your line is open.

Analyst:Matthew Blair

00:34:00 **Question – Matthew Blair:** Great. Thanks for taking the question. Could you talk about whether you're truly realizing the benefits of the OCI acquisition that closed in mid-2025? Just looking at the total company EBITDA in Q3 and Q4, it's roughly flat to Q2 even though global spot methanol prices are also about flat. And I think the OCI acquisition should have provide at least \$250 million of EBITDA. So, is this just a function of – I remember Q3 had some accounting headwinds, Q4, it sounds like some unplanned outages, but are you getting the benefits of that OCI deal flowing through?

00:34:45 **Answer – Rich Sumner:** Yeah. So, I think maybe the way to answer this is just if we look at kind of the numbers that we had on the deal. At a \$350 methanol price, we said it's slightly over \$1 billion in EBITDA. So, that would be \$250 (00:35:03). Methanol prices today are not at \$350 per tonne. That's \$20 lower across an asset base that's 9 million tonnes. So, the big thing is price. We're also pre-synergies on the deal. So, we haven't realized the synergies. And I did describe there are some other things on cost structure that are slightly above what our assumptions would have been on the deal.

00:35:33 So, as we see that some of those costs issues are transitional, and I think we can get back to those numbers, but we certainly need the market to be a little tighter and methanol prices to be at the \$350 level to hit the numbers that we disclosed. In today's environment, we would be looking and thinking we're probably, at least in the short term, going above \$350.

00:36:01 **Question – Matthew Blair:** Okay. Sounds good. And then, what percent of your North American methanol production is exported? And should we think about applying spot US prices to those export volumes or is that really still on like a contract basis?

00:36:20 **Answer – Rich Sumner:** I think the way to think of it is we run our assets through our global supply chain. So, we give our regional sales percentages and then you can see where our assets are located. So, we run things, so that our product isn't assigned to any particular region. It's a flexible supply chain where our main priority is to keep our customers full in the most cost-effective manner to do that. So, I think it's a little bit more you have to put it together on where the product is going and how much we're selling. And right now, we'd give you the global sales allocation and you can see where our assets are located. And so, we will have some cost based in flows (00:37:07) from the Atlantic over into Asia Pacific, but mostly the product stays within the Atlantic basin.

Operator

00:37:18 Your next question comes from the line of Laurence Alexander with Jefferies. Your line is open.

Analyst: Laurence Alexander

00:37:25 **Question – Laurence Alexander:** So good morning. I guess, first of all, just can you help parse what the current situation means for the market in terms of the near term? Like how much of the near-term disruption is shipping being rerouted? And to what extent or how long do you think it will take for you to start seeing customers shutting capacity in response to a tighter market? Can you help me sort of parse the near-term supply chain adjustment versus how you're thinking about the demand adjustment?

00:38:00 **Answer – Rich Sumner:** Yeah. So, thanks, Laurence. I think when we look at what supply has impacted today, you have between Iran that – Iran puts into the market around 9 to 10 million tonnes a year. And then, when you combine Saudi Arabia, Oman, Qatar, Bahrain, other countries that are going to be impacted, it's probably another 9 to 10 million tonnes of a 100 million tonne market. But really, a globally internationally traded market (00:38:30) 55 million tonnes. So, this is a pretty big impact. Of course, Iranian supply goes only into China. So, that's a direct impact to the China market. And then, the other products services mainly the Asia Pacific region as well as some into Europe.

00:38:52 So, those trade flows today have stopped. How long this lasts? How quickly can you work? You're going to first work off inventories. You're going to try and buy product to ensure security of supply. How long this last will impact? How long – and how long people have on inventory will ultimately determine how long people can operate here. So, our first commitment here is to our contract customers and the security of supply that we provide through our contracts. And that's our number one commitment. And we'll continue to monitor this as it evolves because it's certainly hitting methanol and it's hitting a lot of other downstream oil and energy products as this develops.

00:39:46 **Question – Laurence Alexander:** And secondly, on your shipping fleets, given that you can reroute tankers more quickly than sort of somebody who's using the – has a ship that might be contracted to ship another products rather than being committed to methanol, should you be seeing a benefit in Q2 or Q3 from that, and can you help size it?

00:40:10 **Answer – Rich Sumner:** Yeah. I mean, I think the main thing for us is that this is where our time charters certainly give us that security within our supply chain. And so, we have very little spot exposure in our fleet. We've seen shipping rates double on a lot of the lanes that we do. And so, it's more of a what does it do to our competitors versus what does it do to us. To the extent that pricing has to go up to help our competitors cover cost to meet security of supply, well – then that's going to being baked into to the pricing that we can benefit from. So, it's not an immediate like instant hit to our cost structure because ours are fixed in. But we do think that that partially is compensated through increasing price that's required to get other product into market. So, again, that's another factor that we'll be watching. And certainly, this shows – demonstrates the value of our Waterfront Shipping company and having dedicated ships to our business.

Operator

00:41:20 The last question comes from the line of Steve Hansen with Raymond James. Your line is open.

Analyst: Steve Hansen

00:41:27 **Question – Steve Hansen:** Yeah. Thanks for the follow-up, guys. Just in the event that this conflict does last longer than planned or longer than some people might expect, how do you think about the incremental – your excess cash flow coming in the door? Is it just going to accelerate that pay-down of Term Loan A? That's a fairly rapid pace thus far anyways. But is that how we should think about that excess cash flow that comes in the door?

00:41:49 **Answer – Rich Sumner:** Yeah. Our first commitment is to our balance sheet right now. Like I said in the opening remarks, we've got \$300 million left on the Term Loan A, and that's our first priority for cash. Of course, we're going to monitor things really closely here. Volatility is important. You can have fly-ups (00:42:09) and then you can have reversals depending on how quickly things do change. But obviously, our first priority and commitment is to the balance sheet post-deal. And right now, obviously this pricing environment is very supportive of that.

00:42:38 **Question – Steve Hansen:** Pretty good time. Thanks (00:42:32).

00:42:35 **Answer – Rich Sumner:** Thank you.

Operator

00:42:36 There are no further questions at this time. I will now turn the call over to Mr. Rich Sumner.

00:42:44 All right. Well, thank you for your questions and interests in our company. We hope you'll join us in April when we update you on our first quarter results.

Operator

00:42:54 This concludes today's conference call. You may now disconnect.

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