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Financial Report, Analysis and Sustainability: Par Pacific Holdings, Inc.

Introduction

Based in Houston, Texas, Par Pacific Holdings, Inc. is an energy corporation offering western United States both conventional and renewable fuels. Three main divisions—refining, retail, and logistics—rule the company's activities. This paper attempts to assess Par Pacific's sustainability reporting policies, examine its financial situation, and offer a managerial view of its activities. Analysing these features helps us to have thorough understanding of Par Pacific's general performance and place in the energy sector.

1. Sustainability Reporting Evaluation

1.1 Potential Impacts of Par Pacific's Business Activities

Par Pacific's activities as an energy corporation engaged in refining and distribution of petroleum products have great influence on society and the surroundings. Energy-intensive and resulting in significant greenhouse gas emissions, the refining process helps to cause climate change (Szklo and Schaeffer 2007). The U.S. Environmental Protection Agency (EPA) claims that petroleum refineries are main causes of criterion air pollutants and hazardous air pollutants (HAPs), which can have negative consequences on local air quality and public health (EPA 2022).

Moreover, the shipping and storage of refined goods and crude oil run the danger of spills and leaks that can damage water supplies and land. Jernelöv's 2010 study underlined the long-term effects of oil spills on ecosystems including marine ones as well as on species. The company's maritime transportation and pipeline-based logistical activities naturally pose environmental hazards.

Socially speaking, Par Pacific's activities can have a big effect on nearby towns. Although refineries create jobs, they may also cause safety and health issues for employees and surrounding citizens (Bullard 2005). The retail activities of the corporation immediately engage with consumers, so impacting local economies and maybe changing the dynamics of communities.

Par Pacific has chances as well as difficulties in the energy sector's shift towards more sustainable methods. As observed by Sovacool et al. (2020), traditional refining companies could be greatly impacted by the change towards renewable energy sources and growing attention on energy efficiency. Long-term survival of Par Pacific depends critically on its capacity to adjust with the times and include more sustainable practices into its operations.

1.2 Summary of Key Aspects Currently Reported

Based on their most recent sustainability report, Par Pacific's efforts include numerous important facets:

Environmental Metrics and Initiatives:

The business publishes on waste management, energy usage, and greenhouse gas emissions as well as on Par Pacific has launched programs to lower emissions and increase energy economy all around its businesses. They draw attention, for example, initiatives to modernise refinery machinery and streamline procedures to lower environmental effect. The corporation also notes its research of renewable fuel generation, however exact targets and specifics are not clear.

Social Responsibility Programs:

Presenting statistics on Total Recordable Incident Rate (TRIR) and process safety events, Par Pacific notes on its dedication to workforce safety. The business also addresses community involvement programs including local alliances and charitable donations. Though certain benchmarks and standards in this area are not precisely specified, diversity and inclusion within the workforce are given great weight.

Governance Practices:

Par Pacific's corporate governance system is described in the sustainability report, with special reference to the board's responsibility for supervising environmental issues. They also go into their method of ethics and compliance—including staff training initiatives—including The paper notes the founding of a sustainability committee, although it provides few information on its membership or particular duties.

1.3 Critical Evaluation of Sustainability Reporting Practices

Comprehensiveness of Disclosure:

Though Par Pacific offers data on important social and environmental indicators, the degree of disclosure might be strengthened. The company's reporting does not include specific quantifiable goals for additional environmental improvements or emissions lowering. This lack of particular, quantifiable objectives makes it difficult to evaluate over time the company's sustainability commitment and development. As Hahn and Kühnen (2013) emphasise, successful sustainability reporting and performance enhancement depend on well defined, quantifiable goals.

Alignment with Industry Standards:

Neither the Sustainability Accounting Standards Board (SASB) nor the Global Reporting Initiative (GRI) were mentioned in Par Pacific's sustainability reporting. Par Pacific's performance is difficult to compare with industry peers and this lack of standardising compromises the credibility of the report (Eccles and Krzus 2014). Standardised reporting systems would improve Par Pacific's sustainability disclosure comparability and dependability.

Areas for Improvement:

Given the water-intensive character of refining activities, the corporation should improve its reporting by include more thorough statistics on water use and management. As advised by the Task Force on Climate-related Financial Disclosures (TCFD 2017), Par Pacific would also gain from more openness on its approach to managing climate-related risks and opportunities as well as on supplier chain sustainability.

Par Pacific should think about using a more ordered method compliant with international standards to improve its sustainability reporting. This will not only increase the comparability and legitimacy of their disclosures but also show a more intense dedication to sustainability leadership and openness inside the energy sector. Moreover, as advised by Adams and Frost (2008), including sustainability measures into strategic decision-making procedures and main performance indicators (KPIs) can help Par Pacific's sustainability initiatives to be more generally successful.

2. Financial Performance Analysis

We shall examine important ratios in the domains of profitability, operating efficiency, financial gearing, and liquidity in order to assess Par Pacific's financial performance. Par Pacific's performance will be compared with industry medians and investigated historically over the past three years.

2.1 Profitability

From 2021 to 2023 Par Pacific's profitability ratios clearly demonstrate an improving trend, with notable comeback from negative margins in 2021. Still, the company's margins continue to be rather below industry averages. Though improved, the 16.9% gross margin in 2023 is still much below the industry median of 59.3%. This implies Par Pacific struggles to keep pricing power or effectively control costs of goods sold in line with rivals in the sector.

Table 1: Profitability Ratios

Ratio	**Industry Median**	**2023**	**2022**	**2021**
Gross Margin	59.30%	16.90%	12.90%	1.50%

EBITDA Margin	47.80%	11.20%	7.20%	0.50%
Operating Margin	26.50%	8.00%	5.90%	-0.30%
Net Margin	16.90%	7.30%	5.00%	-1.70%
Pretax ROA	10.30%	17.20%	12.50%	-3.40%
ROE	16.40%	60.90%	80.00%	-31.80%

Though still trailing industry medians, the EBITDA margin and operational margin reflect similar trends with gains over the three-year period. This suggests that Par Pacific still has space for development in controlling running expenses in relation to income even if operational efficiency has advanced. As Nissim and Penman (2001) point out, consistent variations in profitability ratios can indicate structural changes in company models or competitive positions inside a given sector.

Especially in 2022 and 2023, the company's Return on Equity (ROE) is remarkably high above the industry median. Still, one should approach this carefully. The company's leveraged capital structure instead than better profitability could explain the high ROE. The negative ROE in 2021 highlights even more the fluctuation in the company's performance. High ROE brought on by financial leverage instead of operational efficiency, according to Damodaran (2007), can point to more financial risk.

Rising above the industry median in 2023, the Pretax Return on Assets (ROA) demonstrates a good trajectory. This is encouraging for investors since it implies Par Pacific has been more effective in making use of its resources to create earnings. The volatility in this indicator during the three-year period, however, emphasises the cyclical character of the refining sector and the need of including long-term performance evaluation trends.

2.2 Operating Efficiency

Operating efficiency ratios of Par Pacific expose uneven performance. The company's asset turnover ratio, much greater than the industry median, points to effective asset use producing sales. This fits the rising ROA noted in the profitability study. High asset turnover, according to Gaur et al. (2005), can be a sign of efficient capital use—a particularly crucial factor in capital-intensive businesses like refining.

Table 2: Operating Efficiency Ratios

Ratio	Industry Median	2023	2022	2021
Asset Turnover	0.45	2.3	2.5	2

Accounts Receivable Turnover	8	26.5	32.7	30.7
Average A/R Days	44.9	13.8	11.2	11.9
Inventory Turnover	14	6.5	7.3	7.6
Average Inventory Days	26.1	56.7	49.9	48.1
Average Accounts Payable Days	61.7	13.6	8.3	10.3

Very low average A/R days follow from unusually strong accounts receivable turnover above industry median. For cash flow management, Par Pacific's great efficiency in gathering consumer payments is encouraging. The clear discrepancy from the industry median (13.8 days against 44.9 days) calls more research to make sure this isn't a reflection of too aggressive collecting methods that can sour client relationships. As Petersen and Rajan (1997) pointed out, trade credit rules have a big effect on general company performance and customer relationships.

Higher average inventory days follow from lower than industry median inventory turnover. This could be an intentional decision to save more inventory levels or point to inefficiencies in inventory control. Keeping more inventories could be a hedging tactic against price swings considering the erratic character of oil prices (Considine and Larson 2001). But one should give much thought to the opportunity cost of capital locked in inventories.

Generally speaking, the typical accounts payable days are well below the industry norm. Although Par Pacific may not be fully using its working capital management, this also implies that strong supplier relationships may not be reflecting. Payables extended while solid supplier relationships are maintained could help cash flow. Deloof (2003) stresses the need of maximising the cash conversion cycle in order to improve company profitability.

2.3 Financial Gearing

Although it has dropped over the three years, Par Pacific's assets/equity ratio stays above the industry average. This suggests a more leveraged capital structure, which raises financial risk but also might boost returns. Risk-averse investors could find the company's active deleveraging—shown by a notable drop from 9.67 in 2021 to 2.89 in 2023—positive. Fama and French (2002) contend that over time companies generally change their capital structures to match an ideal leverage ratio.

Table 3: Financial Gearing Ratios

Ratio	Industry Median	2023	2022	2021
Assets/Equity	1.95	2.89	5.09	9.67

Times Interest Earned	6.4	11.1	6.3	-1.1

From a negative value in 2021 to 11.1 in 2023, the Times Interest Earned ratio has sharply improved, above the industry median. This development shows better capacity to satisfy debt commitments, therefore lowering the likelihood of financial crisis. Still, the volatility in this ratio throughout the three years emphasises the cyclical character of the sector and the need of keeping financial flexibility. As Graham and Harvey (2001) underline, decisions on corporate finance strategy generally take financial flexibility top priority.

2.4 Liquidity

While Par Pacific's liquidity ratios indicate improvement over the three-year period, they provide a mixed picture in relation to industry medians. From below 1 in 2021 to 1.3 in 2023 the current ratio has significantly above the industry median. This implies the organisation has improved its capacity to satisfy immediate needs.

Table 4: Liquidity Ratios

Ratio	**Industry Median**	**2023**	**2022**	**2021**
Quick Ratio	0.99	0.5	0.47	0.25
Current Ratio	1.21	1.3	1.05	0.83

Still, the quick ratio still well below the industry median even if it is improving. This suggests that a significant amount of Par Pacific's present assets are locked in inventory, which would make it difficult to satisfy urgent cash demands without depending on sales of inventory. Particularly in sectors with great cash flow volatility, Bates et al. (2009) observe that companies frequently use liquid assets as a safety net against cash flow shocks.

The differences between the current ratio and the quick ratio emphasise Par Pacific's liquidity situation's need of effective inventory control. It also draws attention to the possible sensitivity to market conditions that can influence rates of inventory value or turnover. Kim et al. (1998) underline the trade-off between the expenses of maintaining liquid assets and the advantages of lowering the financial crisis risk.

3. Managerial Perspective on Financial Performance

Using knowledge from the industry guest speaker, we may view Par Pacific's financial situation from a managerial standpoint. The speaker underlined in the volatile energy sector the need of operational efficiency and risk management.

Particularly the increase in operating margin from -0.3% in 2021 to 8.0% in 2023, Par Pacific's rising profitability ratios point to management's effective implementation of cost reduction policies and maybe benefit from favourable market conditions. Par Pacific's margins and industry medians continue to show a discrepancy, nonetheless, suggesting possible structural issues or competitive pressures management must handle. As Porter (1985) emphasises, either cost leadership or differentiation techniques usually provides durable competitive advantage.

In working capital management, the high accounts receivable turnover and low A/R days could be considered as managerial success. But as the guest speaker pointed out, in the energy industry keeping good customer relationships is absolutely vital. Management should make sure their effective collecting methods are not souring long-term relationships or client pleasure. As Dyer and Singh (1998) illustrate, relationship-specific investments can provide competitive advantage in business-to---business environments.

The rather low inventory turnover rate gives managers a chance to maximise inventory stocks. Although some degree of inventory could help to offset price fluctuations, too high inventory freezes up funds and raises carrying costs. Management might look at strategies to increase supply chain efficiency and forecasting accuracy to lower inventory days without sacrificing operational flexibility. Suggested by Carbonneau et al. (2008), advanced analytics and demand forecasting technologies could be useful instruments in this process of optimisation.

The Times Interest Earned Ratio's improvement shows sensible financial management, therefore lowering the company's financial risk. This fits the emphasis of the guest speaker on preserving financial flexibility in a cyclical sector. Further supporting this approach is the declining trend in the Assets/ Equity ratio. Management should, however, weigh the possible chances for development that might call for more debt against the advantages of lower financial risk.

From a liquidity standpoint, although the current ratio is improving, management should be aware of the low quick ratio's indication of the reliance on inventories for short-term liquidity. By means of better payment terms with suppliers or cash conversion cycle optimisation, using techniques to raise the quick ratio could strengthen the financial resilience of the business. Opler et al. (1999) emphasise the need of liquidity management in cyclical sectors by pointing out that companies with more fluctuating cash flows and more chances for development typically have more liquid assets.

The guest speaker also underlined the growing relevance of sustainability in managerial decisions taken in the energy sector. Not only to satisfy rising stakeholder expectations, but Par Pacific's management should also take into account how best to include sustainability more fully into their operations and reporting to spot chances for cost savings and risk reduction. Strategic corporate social responsibility can be a source of innovation and competitive advantage, claims Porter and Kramer (2006).

Given the shift towards renewable energy sources, Par Pacific's management should also give diversification techniques some thought. This could call for funding exploration of alternative low-carbon energy sources or manufacturing of renewable fuels. As Arabella Advisors (2018) in their analysis on the worldwide fossil fuel divestment movement indicate, such calculated actions could help reduce the long-term dangers connected with the diminishing market for conventional petroleum products.

Conclusion

With increasing profitability ratios and improved liquidity, Par Pacific Holdings shows notable financial improvement from 2021 to 2023. The company still trails behind industry medians in numerous important areas, though, suggesting opportunity for more financial and operational optimisation.

Though it covers important areas, the company's sustainability reporting lacks the depth and consistency needed for meaningful comparison with industry rivals. Par Pacific's management should give improving their sustainability processes and reporting top priority as the energy sector under more pressure to solve environmental issues.

Suggestions for development include:

Create and share detailed, quantifiable sustainability goals, especially with an eye on energy efficiency and emission control.

To improve credibility and comparability, match sustainable reporting with acknowledged systems like GRI or SASB.

3. Emphasise on using cost control to raise gross margins and maybe investigating more marginable product combinations.

4. Maximise inventory control to enhance turnover while preserving operational flexibility.

5. Look at ways to raise the quick ratio and cut dependency on inventory for temporary liquidity.

6. Maintaining the deleveraging trend would help to improve financial flexibility; although, balance this with investments in projects on operational efficiency and sustainability.

7. Look at low-carbon technology or renewable energy sources to help to reduce long-term dangers connected with the energy change.

8. Improve reporting on supply chain sustainability, climate-related hazards and opportunities by means of openness.

In conclusion, Par Pacific still has great chances for growth in both financial and environmental standards even if its financial performance has improved noticeably throughout the last three years. Par Pacific can try to create a more robust, sustainable, and competitive company model in the demanding and fast changing energy sector by tackling these issues holistically.

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