

DELEK US HOLDINGS INC.

Solid Quarter; Raising Price Target to \$19

Solid 1Q12 Results: We think Delek's 1Q12 results were a positive for the shares. From an earnings perspective, the company reported EPS of \$0.79 compared to consensus of \$0.61 and our \$0.71 estimate reflecting stronger-than-anticipated refining margins at the Tyler refinery. From a longer-term shareholder value perspective, we are encouraged by several developments. The first is closure on purchase of two midstream assets which will not only optimize current DK refinery operations but also qualify as assets contributable to a potential MLP, which we still believe management intends to pursue within the next 1–2 years. Secondly, the company appears on track for both lower cost sourcing of Midland WTI crude (which has averaged \$5.4/b below Cushing WTI in 2Q12 QTD) at the Tyler refinery while replacing Mars with WTS at the El Dorado refinery starting next year. Together, we think these crude sourcing initiatives could add \$120–160 million to 2013 EBTIDA.

Raising Price Target: We reaffirm our 1–Overweight rating and raise our price target to \$19 from \$18 previously. Our new target implies refining value of \$850/daily barrel of complexity, compared to \$800 previously. We think the increase is justified by continued progress in sourcing discounted crudes. Our new valuation compares with HFC's current implied refining value of \$870/daily barrel. Although DK stands to benefit from incremental advantaged feedstock, and should therefore trade more in-line with inland crude refiners, we think that HFC asset quality, geographic diversity, access to multiple advantaged crudes and presence in several product short markets warrants a slight valuation premium to DK.

DK: Quarterly and Annual EPS (USD)

FY Dec	2011		2012		2013			Change y/y	
	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.31A	0.71E	0.79A	0.61E	N/A	N/A	0.26E	155%	N/A
Q2	0.80A	0.93E	0.96E	0.91E	N/A	N/A	0.54E	20%	N/A
Q3	1.52A	0.51E	0.64E	0.64E	N/A	N/A	0.34E	-58%	N/A
Q4	-0.07A	0.21E	0.32E	0.24E	N/A	N/A	0.24E	557%	N/A
Year	2.58A	2.35E	2.70E	2.50E	2.00E	2.00E	1.88E	5%	-26%
P/E	6.2		5.9			8.0			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 17.

Stock Rating	1-OVERWEIGHT Unchanged
Sector View	1-POSITIVE Unchanged
Price Target	USD 19.00 raised 6% from USD 18.00

Price (02-May-2012)	USD 16.05
Potential Upside/Downside	+18%
Tickers	DK

Market Cap (USD mn)	934
Shares Outstanding (mn)	58.19
Free Float (%)	23.78
52 Wk Avg Daily Volume (mn)	0.3
Dividend Yield (%)	2.6
Return on Equity TTM (%)	28.87
Current BVPS (USD)	11.26

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 17.50-9.41



[Link to Barclays Live for interactive charting](#)

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COMPANY SNAPSHOT

Delek US Holdings

U.S. Independent Refiners

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
EBITDA (adj)	363	375	307	212	-16.4%
EBIDA (adj)	254	268	226	167	-13.0%
Net income (op basis)	147	158	118	54	-28.3%
EPS (adj) (\$)	2.58	2.70	2.00	0.90	-29.6%
Diluted shares (mn)	57.0	58.8	59.0	59.2	1.3%
DPS (\$)	0.34	0.24	0.15	0.15	-24.0%

Return data	Average				
ROACE (%)	19.7	16.8	12.4	6.4	13.8
ROAE (%)	26.9	21.7	13.8	5.8	17.1
ROMC (%)	20.3	15.7	11.4	6.3	13.4

Balance sheet and cash flow (\$mn)	CAGR				
Shareholders' equity	654	797	906	951	13.3%
Net debt/(funds)	207	129	32	236	4.5%
Total debt	432.6	358.4	222.6	382.1	-4.1%
Market capital employed	1,083	1,306	1,174	1,336	7.2%
Cash flow from operations	130	240	205	145	3.7%
Capital expenditure	81	125	100	100	7.3%
Dividends paid	20	14	9	9	-23.1%
Free cash flow	49	115	105	45	-2.7%
Net cash surplus/(deficit)	226	230	190	146	-13.5%

Valuation and leverage metrics	Average				
P/E (adj) (x)	6.2	5.9	8.0	17.8	9.5
EV/EBITDA (adj) (x)	3.2	2.9	3.2	5.6	3.7
EV/EBIDA (adj) (x)	4.5	4.0	4.3	7.0	5.0
Equity FCF yield (%)	5.4	12.2	11.1	4.8	8.4
Dividend yield (%)	2.1	1.5	0.9	0.9	1.4
Total debt/capital (%)	39.8	31.0	19.7	28.6	29.8
Total debt/equity (%)	66.2	45.0	24.6	40.2	44.0
EV/daily barrel complexity	N/A	716.0	N/A	N/A	716.0

Selected operating metrics	2011A	2012E	2013E	2014E
Refining throughput (000 b/d)	114.7	137.7	142.6	142.6
Refining mgn realis (\$/bl) (\$)	14	12	10	8

Stock Rating	1-OVERWEIGHT
Sector View	1-POSITIVE
Price (02-May-2012)	USD 16.05
Price Target	USD 19.00
Ticker	DK

Investment case

Why a 1-Overweight? We estimate that 80% of DK's crude slate will be WTI-linked in 2013, while recent midstream EBITDA acquisitions further de-risk probability of an eventual MLP. Using a marketing and supply value of roughly \$7.5/share and a refining segment EV/daily barrel of complexity of \$800, we think DK may be worth \$18/share.

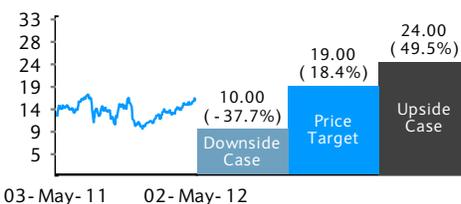
Upside case **USD 24.00**

Our upside case assumes the company will trade at 2.5x Price/Tangible Book based on a tangible book value of \$9.8/share. This compares to 3.6x in the previous cycle peak in 2007. We assume a peak cycle valuation discount based on increased volatility and increased spare capacity.

Downside case **USD 10.00**

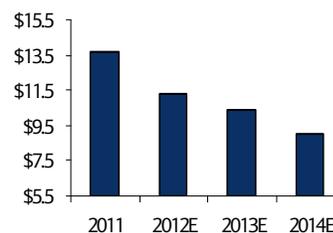
Our downside case assumes the company will trade at 1.0x Price/Tangible Book based on a tangible book value of \$9.8/share.

Upside/downside scenarios



Source: FactSet Fundamentals

Refining Margin Realizations (\$/bl)



Source: Company Data, Barclays Research

Source: Company data, Barclays Research
Note: FY end Dec

Global Refining Market Outlook Remains Improved Versus Last Year

Depending on the location and configuration of the refineries, we can largely divide the regional refining margin into four major components: 1) core light product crack, 2) the light/heavy differential at coastal markets, 3) regional crude differentials such as the LLS – Maya and WTI – WCS and 4) regional product price differences. Over the last six months, we think the medium-term outlook for the global refining market's core product crack has improved quite sharply due to the waves of refinery shut-down announcements as well as slightly better economic environment, particularly in the U.S. On the other hand, we believe the medium term outlook for the regional product differential has markedly deteriorated and now think that Gulf Coast product prices may average on par or above the U.S. inland markets in the coming years. Finally, our outlook for the global light/heavy differential as well as the U.S. regional crude spreads remains largely unchanged over the last several months. In summary, we believe the medium term outlook of the global and U.S. refining markets have brightened compared to 6 months ago.

Light/Heavy Differentials

Our outlook for the light/heavy differential is largely unchanged, and we expect the LLS/Maya spread to average \$10-\$13/bl, compared with the 2000-2011 average of \$11.7/bl and the yearly high and low of \$18.4 and \$5.5/b in 2008 and 2002, respectively. In the medium term, the differential should remain volatile. We see several factors that could pressure the spread in 2012 including the resumption of Libyan light oil production, which should ease pressure on global light sweet prices and rising heavy oil demand from new build refineries. Offsetting these factors is the recent loss of Syrian production and the continuing struggle in Nigeria. Increased Saudi production to offset the loss of Iranian oil export should have a neutral impact on the differential.

Regional Crude Differential

The third component in total refining margin is regional crude price differentials versus benchmark waterborne crude which largely set the global product prices. We think the recent severe fluctuations in regional crude price differentials will remain the norm over the next 2-3 years as marginal takeaway capacity shifts between truck, rail, and pipeline economics in response to growing North American production. While we don't pretend to have a crystal ball, we think it is useful to outline the issues impacting the longer term differentials and make some reasonable assumptions about where differentials should ultimately settle out. We expect the LLS/Cushing WTI spread will settle in the \$5.0 - \$6.0/barrel range. In terms of mid-continent corridor crudes, we think the LLS/WCS, LLS/Canadian Light, and LLS/Bakken discounts will settle between \$24-30/barrel, \$11-13/barrel, and \$9-11/barrel, respectively. In Texas, we expect the Permian Basin produced crudes will trade at a \$4.5-5.5/barrel discount to LLS, while we think Eagle Ford should trade at roughly a \$1/barrel discount.

Regional Product Price Differences

The final factor determining the refining margins, regional product prices differences, is undergoing a shift in the U.S. driven by discounts on mid-continent crudes in our opinion. Historically, Mid-continent refineries have run at a rate necessary to meet local product demand, leaving the region as a whole short of product, particularly in the summer driving months. Between 2005 and 2011 the Chicago Unleaded 87 and Low Sulphur diesel price averaged \$0.5/b and \$0.1/b above Gulf Coast prices respectively. However, Chicago Gasoline and LS Diesel have averaged \$5.9/b and \$7.0/b *below* the corresponding Gulf Coast prices in 2012 YTD. We expect the trend to continue given our outlook for continuing

substantial Canadian crude discounts to LLS in the medium and long term which should create incentive for refineries to maintain high utilization rates.

Company Outlook

We think Delek's 1Q12 results were a positive for the shares. From an earnings perspective, the company reported EPS of \$0.79 compared to consensus of \$0.61 and our \$0.71 estimate reflecting stronger than anticipated refining margins at the Tyler refinery. From a longer term shareholder value perspective, we are encouraged by several developments. The first is closure on purchase of two midstream assets which will not only optimize current DK refinery operations but also qualify as assets contributable to a potential MLP, which we still believe management intends to pursue within the next 1 – 2 years. Secondly, the company appears on track for both lower cost sourcing of Midland WTI crude (which has averaged \$5.4/b below Cushing WTI in 2Q12 QTD) at the Tyler refinery while replacing Mars with WTS at the El Dorado refinery starting next year. Together, we think these crude sourcing initiatives could add \$120 - \$160 million to 2013 EBTIDA.

We reaffirm out 1 – Overweight rating and raise our price target to \$19 from \$18 previously

EPS Changes and Target Price Change

We raise our 2011 EPS estimate for DK to \$2.70 from \$2.35 reflecting the stronger 1Q result while our 2013 EPS remains unchanged at \$2.00.

Our new price target implies refining value of \$850/daily barrel of complexity, compared to \$800 previously. We think the increase is justified by continued progress in sourcing discounted crudes. Our new valuation compares with HFC current implied refining value of \$870/daily barrel. Although DK stands to benefit from incremental advantaged feedstock, and should therefore trade more in-line with inland crude refiners, we think that HFC asset quality, geographic diversity, access to multiple advantaged crudes and presence in several product short markets warrants a slight valuation premium to DK

Figure 1: EV/Capacity

\$/daily barrel of complexity	Now	Cycle Trough			Cycle Peak		\$1,600/daily bls of complexity replacement		
		2009/2010	2002	1999	2007	2001	'99 & '02 Avg	2002	1999
Alon USA*	\$511	\$551			\$1,703		\$428	\$507	\$349
CVR Energy**	\$769	\$424			\$1,279				
Delek USA	\$734	\$559			\$1,411		\$449	\$507	\$349
Frontier Oil	N/A	\$707	\$320	\$143	\$2,637	\$571	\$384	\$499	\$268
HFC	\$726	\$347	\$331	\$261	\$2,982	\$547			
MPC	\$538								
Phillips 66	\$461								
Sunoco	N/M	(\$496)	(\$92)	(\$126)	\$6,128	\$403	(\$190)	(\$143)	(\$237)
Tesoro	\$349	\$390	\$571	\$186	\$1,361	\$548	\$619	\$890	\$349
Valero	\$442	\$298	\$325	\$224	\$1,214	\$402	\$463	\$507	\$419
Western**	\$1,244	\$595			\$2,744		\$428	\$507	\$349
Median	\$538	\$424	\$325	\$186	\$1,703	\$547	\$428	\$507	\$349
Est Greenfield Replacement Cost	\$1,900	\$1,600	\$1,154	\$962	\$2,250	\$1,154			
%	28%	26%	28%	19%	76%	47%			

* Inventory at ALJ's BSR and KSR have been liquidated under an agreement with J. Aron and we assume this account for ~80% of the company's inventory at 3Q10.

** Barclays Research does not cover Western Refining or CVR Energy

Source: Barclays Research and Company Data

Figure 2: Refiner Enterprise Value (\$mm, except per share price)

	(a)	(b)	(c)	(d)	(e)	(f)	(g) = a * b - c - d - e - f					
	5/3/12 Price	Latest Qtr Share Count	Working Capital	Long Term Debt	Inventory > Book	Pension Liab > Asset	Total EV	WC + LT Debt Excess Inventory	WC + Excess Inventory			
Alon USA*	\$8.92	55.9	\$99	(\$1,050)	\$61	(\$42)	\$1,430	(\$890)	\$160			
CVR Energy**	\$30.04	87.7	\$769	(\$739)	\$0	\$0	\$2,605	\$30	\$769			
Delek USA	\$16.11	58.8	\$51	(\$297)	\$36	\$0	\$1,157	(\$211)	\$86			
HFC	\$30.27	210.2	\$2,030	\$616	\$246	(\$109)	\$3,579	\$2,892	\$2,276			
MPC	\$40.36	338.0	\$2,297	(\$3,321)	\$4,420	(\$1,813)	\$12,059	\$3,396	\$6,717			
Phillips 66	\$31.39	633.0	\$2,778	(\$7,409)	\$5,590	(\$1,452)	\$20,363	\$959	\$8,368			
Tesoro	\$22.35	140.3	\$838	(\$1,283)	\$1,552	(\$387)	\$2,417	\$1,107	\$2,390			
Valero	\$23.54	557.0	\$2,700	(\$7,600)	\$5,655	(\$832)	\$13,189	\$755	\$8,355			
Western**	\$18.54	89.3	\$545	(\$804)	\$139	(\$2)	\$1,778	(\$120)	\$684			
	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o) = h - i - j - k - l - m - n	(p)	(q)		
								(r) = o * 1000 / (p * q)	(s) = (o + n) * 1000 / (p * q)			
(\$ mms)	Total EV	(5.5x EBITDA) Retail/Ethanol	(9.0x EBITDA) Wholesale	(5.0x EBITDA) Chemicals	(LP+GP+Misc) Logistics	Coke	(6.0x Oper loss) Corp Unallocated	(\$ mms) Implied Refining	(000 b/d) Crude Throughput Capacity	Complexity	Implied \$/Daily bls of Complexity	Implied \$/Daily bls of Complexity w/o Corp Unalloc. Adj
Alon USA*	\$1,430	\$231	\$226				(\$14)	\$988	210	9.2	\$511	\$503
CVR Energy**	\$2,605				\$1,069		(\$105)	\$1,642	185	11.5	\$769	\$720
Delek USA	\$1,157	\$365	\$443				(\$593)	\$943	140	9.2	\$734	\$272
HFC	\$3,579				\$559		(\$883)	\$3,903	443	12.1	\$726	\$562
MPC	\$12,059	\$2,221			\$5,189		(\$2,004)	\$6,653	1,193	10.4	\$538	\$376
Phillips 66	\$20,363			\$6,523	\$4,528		(\$1,812)	\$11,124	2,231	10.8	\$461	\$386
Tesoro	\$2,417	\$508			\$422		(\$848)	\$2,335	675	9.9	\$349	\$222
Valero	\$13,189	\$4,309					(\$3,960)	\$12,840	2,344	12.4	\$442	\$305
Western**	\$1,778	\$79	\$278				(\$165)	\$1,585	151	8.4	\$1,244	\$1,115
Median											\$538	\$386

* Inventory at ALJ's BSR and KSR have been liquidated under an agreement with J. Aron and we assume this account for ~80% of the company's inventory at 3Q10.

** Barclays Research does not cover Western Refining or CVR Energy

Source: Barclays Research Estimates

Figure 3: Comparative Valuations

	Rating	Price 5/3/12	P/E		EV/EBITDA		EV/EBIDA		ROMC%		Dividend Yield
			2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E	
Independent Refiners	1-Positive										
Alon USA (ALJ)	3 - UW	\$8.92	6.4 x	22.3 x	3.9 x	5.6 x	5.2 x	6.8 x	9.5%	5.3%	1.8%
Delek USA (DK)	1 - OW	\$16.11	6.7 x	7.7 x	3.2 x	3.2 x	4.4 x	4.3 x	13.1%	12.6%	2.2%
HollyFrontier (HFC)	2 - EW	\$30.27	5.4 x	8.9 x	2.5 x	3.9 x	4.0 x	5.7 x	19.7%	9.9%	1.3%
Marathon Petroleum (MPC)	1 - OW	\$40.36	7.0 x	10.8 x	3.4 x	4.4 x	4.8 x	5.8 x	11.8%	7.5%	2.5%
Phillips 66 (PSX)	2 - EW	\$32.76	7.2 x	9.2 x	4.1 x	5.0 x	5.4 x	6.4 x	10.9%	7.6%	2.4%
Tesoro (TSO)	1 - OW	\$22.35	6.0 x	5.8 x	2.7 x	2.5 x	3.6 x	3.4 x	13.6%	14.5%	0.0%
Valero (VLO)	1 - OW	\$23.54	7.4 x	7.5 x	4.2 x	3.9 x	5.5 x	5.1 x	9.4%	9.4%	2.5%
American Refiners Median			6.5 x	8.3 x	3.3 x	3.9 x	4.6 x	5.4 x	12.4%	9.7%	2.0%
Others											
SunCoke Energy (SXC)	1 - OW	\$14.65	10.5 x	11.7 x	6.3 x	6.2 x	7.8 x	8.0 x	12.5%	11.5%	0.0%
Sunoco (SUN)	2 - EW	\$50.54	59.5 x	28.9 x	14.4 x	10.9 x	18.0 x	14.1 x	3.2%	5.2%	1.6%
Others Median			35.0 x	20.3 x	10.4 x	8.5 x	12.9 x	11.1 x	7.8%	8.3%	0.8%
Macro Assumptions											
Brent Average Spot Price (\$/bl)					\$115.02	\$100.00					
WTI Average Spot Price (\$/b)					\$99.06	\$91.50					
U.S. Natural Gas Spot Price (\$/Mcf)					\$2.79	\$3.25					
Refining Margins											
U.S. Gulf Coast 3-2-1			\$25.71	\$17.00							
U.S. East Coast			\$5.47	\$4.95							
U.S. Mid-Continent			\$18.50	\$10.66							
U.S. West Coast			\$8.98	\$9.15							
NW Europe (Medium)			\$2.91	\$2.86							
Singapore (Medium)			\$7.93	\$7.14							
Crude Differentials											
WTI/Brent			-\$15.96	-\$8.50							
WTI/LLS			-\$16.33	-\$8.50							
LLS/Maya			\$11.93	\$10.84							
LLS/Mars			\$4.80	\$4.26							
WTI/WCS			\$21.32	\$16.73							
WTI/WTS			\$0.69	\$0.61							

Source: Barclays Research Estimates

Figure 4: Share Price Performance

	05/03/12	% Change Since							1 Yr Return						
	Current	12/31/11	12/31/10	12/31/09	12/31/08	12/31/07	12/31/06	12/31/05	2011	2010	2009	2008	2007	2006	2005
Alon USA	\$8.92	2%	49%	30%	(3)%	(67)%	(66)%	(55)%	46%	(13)%	(25)%	(66)%	3%	34%	--
CVR Energy	\$30.04	60%	98%	338%	651%	20%	--	--	23%	121%	72%	(84)%	--	--	--
Delek USA	\$16.11	41%	121%	137%	205%	(20)%	(2)%	--	57%	7%	29%	(74)%	23%	--	--
Frontier Oil	NA	--	79%	168%	156%	(20)%	12%	72%	79%	50%	(5)%	(69)%	41%	53%	182%
HollyFrontier	\$30.27	29%	48%	136%	232%	19%	18%	106%	15%	59%	41%	(64)%	(1)%	75%	111%
Marathon Petroleum	\$40.36	21%	--	--	--	--	--	--	--	--	--	--	--	--	--
Sunoco	\$50.54	--	25%	94%	16%	(30)%	(19)%	(36)%	2%	54%	(40)%	(40)%	16%	(20)%	92%
Tesoro	\$22.35	(4)%	21%	65%	70%	(53)%	(32)%	(27)%	26%	37%	3%	(72)%	45%	7%	93%
Valero	\$23.54	12%	2%	41%	9%	(66)%	(54)%	(54)%	(9)%	38%	(23)%	(69)%	37%	(1)%	127%
Western	\$18.54	40%	75%	294%	139%	(24)%	(27)%	--	26%	125%	(39)%	(68)%	(4)%	--	--
Average Refiners		25%	58%	145%	164%	(27)%	(21)%	1%	29%	53%	1%	(67)%	20%	25%	121%
XOI	1,220.4	(1)%	1%	14%	25%	(22)%	3%	24%	1%	14%	9%	(37)%	31%	20%	37%
XLE	69.9	1%	2%	23%	46%	(12)%	19%	39%	1%	20%	19%	(40)%	35%	17%	39%
OSX	231.2	7%	(6)%	19%	90%	(23)%	16%	27%	(12)%	26%	61%	(60)%	51%	10%	47%
EPX	411.5	(2)%	(11)%	8%	74%	(5)%	34%	41%	(10)%	22%	61%	(45)%	41%	5%	--
SPX	1,391.6	11%	11%	25%	54%	(5)%	(2)%	11%	(0)%	13%	23%	(38)%	4%	14%	3%
Commodity Price															
Brent (\$/b)	\$116.1	8%	23%	49%	155%	24%	91%	97%	13%	22%	71%	(51)%	54%	3%	46%
WTI (\$/b)	\$102.6	4%	12%	29%	130%	7%	67%	67%	8%	15%	78%	(54)%	56%	0%	42%

- HFC share price adjusted to reflect 2:1 stock split on 9/1/2011.

- SUN share price is reflective of the SXC spin-off on 1/17/2012. Adjusting for the spin-off is SUN's share price + 0.53046456 of SXC's share price.

Adjusting for the spin-off, SUN's percent change since 12/31/11 would be +42%.

As SUN's business model has changed, we no longer include its share price performance within the refiners group starting in 2012.

Source: Factset, Bloomberg, Barclays Research

1Q12 Results

We think Delek's 1Q12 results will have a slight positive impact on stock's near-term share performance. Although not totally unexpected, the company reported EPS above consensus of \$0.61 and our \$0.71 estimate reflecting stronger than expected refining and retail marketing earnings. All operating segments came in above our forecast, with the only negative contribution versus our estimate coming from higher corporate and other charges.

Positive

- Management indicated the company is running 35 mb/d of WTI link crude at the El Dorado refinery compared to 25 mb/d in 4Q11.

Negative

- El Dorado is currently running at 55 mb/d, or 68% utilization due to shut-down of ExxonMobil's North Line originating in Louisiana (originally, El Dorado sourced all their GoM crude from this line). The lost barrels are gulf coast LLS based crudes. The company said it could replace the crude supplied by the North Line but is still evaluating the cost versus benefit. ExxonMobil has not announced a target restart date for the line.

Neutral

- Total refining gross margin of \$13.2/b came in slightly below our \$13.5/b forecast.
- Higher than expected refining and non-integrated marketing earnings of \$104.8 million reflecting higher products available for sale and lower unit costs.
- Corporate and other expenses were \$27 million compared to our estimate of \$19.5 million contributing a negative variance of \$0.08/share.
- The company completed the acquisition of the Nettleton crude pipeline for \$12.3 million, and the \$11 million acquisition of light product terminal in Big Sandy, TX and an associated 20 mile refined product pipeline.

Additional 1Q12 Highlights

- DK's adjusted 1Q11 EPS of \$0.79 compared to our estimate of \$0.71 and consensus of \$0.61. Versus our estimate, stronger than expected refining and retail marketing results were partially offset by higher corporate expenses.
- Refining & Non-Integrated Marketing pre-tax earnings came in at \$104.8 million compared to our estimate of \$94.1 million, contributing a positive variance of \$0.12/share to the bottom line.
- Refining gross margins came in at \$13.2/bl, compared to our estimate of \$13.5/bl. This compares to the 4Q11 level of \$6.5/bl and the 1Q11 level of \$16.2/bl.
- Refining operating cost of \$5.1/bl compared to our estimate of \$5.6/bl and versus the 4Q11 and 1Q11 level of \$3.7/bl and \$4.3/bl, respectively.
- Total throughput averaged 134 mboe/d versus our estimate of 135 mboe/d and 146 mboe/d in 4Q11. Throughput levels are not comparable to 1Q11 due to the inclusion of Lion Oil results.

- On the basis of net income per barrel of throughput, we estimate DK earned \$5.5/bl compared to \$0.9/bl in 4Q11 and \$5.3/bl in 1Q11. We estimate DK ranks #2 within our group of independent refiners in 4Q11 compared to 2nd place in 4Q11 and 1st in 1Q11.
- Retail pre-tax earnings reported a loss of \$0.2 million versus our estimate of a \$3.0 million loss, contributing a positive variance of \$0.03/share.
- Marketing pre-tax earnings came in at \$7.2 million compared to our estimate of \$5.1 million, contributing a positive variance of \$0.02/share to the bottom line.
- Corporate and others expenses came in at \$27.0 million compared to our estimate of \$19.5 million.
- Net interest expense came in at \$12.4 million, compared to our estimate of \$12.1 million.
- Effective Tax Rate: The effective adjusted tax rate was 36.3%. We estimate the full year 2012 tax rate at 36.3%.
- Capex Guidance: Management expects 2012 capex to be \$124.8 million, up by \$12 million from previous guidance. Spending will be \$95 million in refining, \$25 million and \$5 million in other areas.
 - The company is still evaluating the economics of increasing El Dorado refining capacity to 100 mb/d from current capacity of 80 mb/d. Previous preliminary project cost is \$150 million.
- Cash Balance: \$235 million versus \$226 at 4Q11.
- Use of Excess Cash: Management said that it prefers special dividends as a means of returning cash to shareholders.

Midstream Asset Acquisitions:

- During the quarter the company completed the acquisition of the Nettleton crude pipeline for \$12.3 million. The pipeline is directly connected to the Tyler refinery.
- DK closed on its \$11 million acquisition of light product terminal in Big Sandy, TX and an associated 20 mile refined product pipeline. The acquisition should provide the Company added option and flexibility in refined product marketing once re-commissioned

Figure 5: Segment Earnings (in millions of \$, except EPS data)

Segment Earnings (in millions of \$, except EPS data)	1Q12A	1Q12E	EPS variance	1Q11A	y-o-y change	4Q11A	q-o-q change
Refining & Non-Integrated Marketing	104.8	94.1	0.12	46.2	127%	17.9	485%
Retail Marketing	(0.2)	(3.0)	0.03	0.4	(145)%	3.5	(105)%
Marketing & Supply	7.2	5.1	0.02	7.6	(5)%	5.1	41%
SG&A	(27.0)	(19.5)	(0.08)	(18.3)	48%	(19.5)	38%
Operating Income	84.8	76.8	0.09	35.9	137%	7.0	1105%
Equity Earnings	0.0	0.0	0.00	0.0	NA	0.0	NA
Other Income	0.2	0.0	0.00	(0.6)	(133)%	(1.0)	(120)%
Interest Expense, Net	(12.4)	(12.1)	(0.00)	(7.3)	70%	(12.5)	(1)%
Earnings Before Taxes	72.6	64.7	0.09	28.0	160%	(6.5)	(1224)%
Income Taxes	(26.4)	(23.3)	0.00	(11.1)	138%	2.1	(1357)%
Tax Rate	36%	36%		40%	(8)%	32%	12%
Shares outstanding (fully diluted)	58.8	58.6	0.00	54.6	8%	58.0	1%
Net Income (Operating Basis)	46.2	41.4	0.08	16.9	174%	(4.1)	(1238)%
Special items	0.0	0.0	0.00	0.0	NA	(1.5)	(100)%
Net Income (Reported Basis)	46.2	41.4	0.08	16.9	174%	(5.6)	(931)%
Earnings Per Share (Operating Basis)	0.79	0.71	0.08	0.31	155%	(0.07)	(1224)%
Earnings Per Share (Reported Basis)	0.79	0.71	0.08	0.31	155%	(0.10)	(921)%

* DK 1Q12 estimate assumes no inventory/trading gain/(loss).

1Q12 Refining Result

- On a fully burdened basis (including estimated DD&A and SG&A attributable to the segment), we estimate the refining segment reported earnings of \$104.8 mm compared to our estimate of \$94.1 mm, contributing a positive variance of \$0.12/share to the bottom line.
- Tyler Refining gross margins came in at \$19.5/bl, 16% above our estimate of \$16.8. This compares to the 4Q11 level of \$11.8/bl and the 1Q11 level of \$16.1/bl.
- El Dorado gross margins came in at \$9.0/bl, 17% below our estimate of \$13.7/bl. This compares to \$2.1/bl in 4Q11 and 7.4/bl in 1Q11.
- Refining operating cost of \$4.2/bl compared to our estimate of \$5.1/bl and versus the 4Q11 and 1Q11 level of \$5.1/bl and \$7.2/bl, respectively.
- On a full cost estimate, we estimate El Dorado 1Q12 pre-tax income at \$42 mm, in line with our \$42 mm estimate.
- Total throughput averaged 145.9 mboe/d versus our estimate of 138.8 mboe/d and 146.2mboe/d in 4Q11. Throughput levels are not comparable to 1Q11 due to the inclusion of El Dorado results.
- On the basis of NI per barrel of throughput, we estimate DK earned \$5.5/b compared to a loss of \$0.9 in 4Q11 and a loss of \$5.3/b in 1Q11. We estimate DK will rank #2 within our group of independent refiners in 1Q12 compared to 2nd place in 4Q11 and the 1st in 4Q11.

Figure 6: US Refiners: Refining Earnings Comparison

U.S. Refiners: Refining Earnings Comparison																
	1Q12E				4Q11A				V%		1Q11A				V%	
	NI (\$ mms)	Throughput	\$/bl	Rank	NI (\$ mms)	Throughput	\$/bl	Rank	NI	\$/bl	NI (\$ mms)	Throughput	\$/bl	Rank	NI	\$/bl
Independent Refiners**																
Alon USA (ALJ)*	\$37	140	\$2.9	4	(\$33)	151	(\$2.4)	7	213%	224%	\$36	136	\$3.0	5	2%	-2%
Delek (DK)	\$67	134	\$5.5	2	\$12	146	\$0.9	2	452%	509%	\$28	58	\$5.3	1	139%	3%
HollyFrontier (HFC)*	\$292	446	\$7.2	1	\$249	448	\$6.0	1	17%	19%	\$96	214	\$5.0	2	203%	43%
Marathon (MPC)	\$602	1,320	\$5.0	3	(\$76)	1,371	(\$0.6)	4	896%	935%	\$516	1,321	\$4.3	3	17%	15%
Sunoco (SUN)	NM	NM	NM	NM	(\$2)	455	(\$0.0)	3	NM	NM	(\$121)	512	(\$2.6)	7	NM	NM
Tesoro (TSO)	\$120	529	\$2.5	5	(\$76)	567	(\$1.5)	6	258%	271%	\$183	561	\$3.6	4	-35%	-31%
Valero (VLO)	\$311	2,555	\$1.3	6	(\$155)	2,713	(\$0.6)	5	300%	315%	\$199	2,106	\$1.1	6	56%	27%
Refiners Subtotal	\$1,428	5,123	\$3.1		(\$80)	5,852	(\$0.1)		1894%	1894%	\$938	4,908	\$2.1		52%	44%

** Downstream earnings for Refiners only includes refining operations and not retail

Source: Company Data, Barclays Research Estimates

Refining Outlook

- **Delek Outlook:** DK management expects crude oil spreads to narrow from current levels as pipeline takeaway capacity increases. However, the company believes the location of its assets give it access to crudes which will continue to trade at discount in the long term.
- **Barclays Research Outlook:** Although the near-term U.S. and global demand outlook are less than inspiring, the core product crack outlook has been improving over the last six months due to the recent wave of refinery shut-down announcements. Following the Petroplus bankruptcy on top of announced and potential closures in the Atlantic Basin by Valero, Hess, Sunoco, and the possible shutdown of Tesoro's Hawaii as well as Murphy's Milford Haven refineries, we estimate that total refining shutdowns could reach 2.2 million b/d in 2012 under the most extreme scenario compared to our estimate of new build additions of 2.3 million b/d, or a very slight net capacity increase. Our current base case, however, assumes that about 1.5 million b/d of the refining capacity will actually be shut. Although it will not support a cyclical upturn, our 1.5 million b/d shut-down estimate would be supportive of 2012 core product cracks in excess of last year's average. Please see our April 23, 2012 report titled *U.S. Independent Refiners: Phillips 66 Overview* for a more complete view on our refining margin outlook.
- We forecast refining will earn \$111 million in 2Q12 and \$344 million for the full year compared to our prior forecast of \$411 million.
- Management said the El Dorado refinery is running roughly 35mb/d of WTI link crudes compared 25 mb/d in 4Q11.

Figure 7: DK EPS Sensitivity

(\$/barrel)	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12 QTD	2Q12 QTD vs 1Q12 (\$0.79/share)	
											\$/bl	Potential EPS Impact
Barclays Research Representative Gulf Coast LLS 6-3-2-1 Margin Indicator	\$8.3	\$12.1	\$9.4	\$10.8	\$20.2	\$28.7	\$35.9	\$21.8	\$30.8	\$39.5	\$8.7	\$0.53
Delek USA Tyler Realized Refining Margin	\$5.7	\$10.8	\$5.7	\$7.8	\$16.1	\$20.7	\$23.5	\$11.8	\$19.5	?	?	?
Lion Realized Refining Margin					\$7.4	\$10.9	\$14.3	\$2.1	\$9.0	?	?	?
WTI/LLS Spread	(1.36)	(4.46)	(3.75)	(4.89)	(13.95)	(16.38)	(24.38)	(16.79)	(20.31)	(24.43)	(\$4.1)	(\$0.28)
WTI/WTS Discount	\$1.7	\$1.7	\$2.0	\$2.2	\$3.6	\$2.0	\$0.3	\$0.2	\$0.8	\$0.3	(\$0.4)	(\$0.00)
Total Potential Impact												\$0.24

\$1/b Change in Gulf Coast Margin = \$0.06/share qtrly impact
 \$1/bl Change in WTI/LLS Spread = \$0.07/share qtrly impact
 \$1/b Change in Sour Discount = \$0.01/share qtrly impact

Source: Company Data, Barclays Research Estimates

Retail & Marketing

- **Retail:** On a full cost basis, we estimate the retail segment reported a pre-tax loss of \$0.2 million versus our estimate of a \$3.0 million loss, contributing a positive variance of \$0.03/share, driven by higher than expected fuel margins.
 - 1Q12 same store retail fuel gallons sold were down roughly 1.0% vs the year ago period, in line with fuel sale changes reported by other independent refiners but below estimated year to date demand decline of 1.7% reported by the EIA.
 - We forecast retail will earn \$9 million in 2Q12, compared to a loss of \$0.2 million in 1Q12 and a profit of \$7.5 million in 2Q11.
- **Marketing:** On a full cost basis, we estimate the marketing segment earned \$7.2 million compared to our estimate of \$5.1 mm, contributing positive variance of \$0.02/sh to the bottom line. Wholesale fuel margin was \$0.167/gallon, compared to our forecast of \$0.131/gallon. Operating expenses were \$1.21/bl, below our forecast of \$1.23/bl, while fuel volume came in slightly lower than expected at 58.8 million gallons compared to our estimate of 59.9 million gallons.
- We forecast marketing and supply earnings of \$8.4 million in 2Q11, compared to \$7.2 million in 1Q12 and \$4.4 million in 2Q11

Figure 8: Segment Operating Data

Operating data			Variance vs				
	1Q12A	1Q12E	forecast	1Q11A	y-o-y change	4Q11A	q-o-q change
Gulf Coast - Tyler Refinery							
Throughput (mb/d)	55.5	57.3	(3)%	58.5	(5)%	63.7	(13)%
Crude	50.8	53.1	(4)%	53.6	(5)%	56.8	(11)%
Other	4.7	4.3	10%	4.8	(3)%	6.9	(32)%
Total product Available for Sales	56.8	56.9	(0)%	57.6	(1)%	63.2	(10)%
Refining gross margin, \$/boe	19.5	16.8	16%	16.1	21%	11.81	65%
Operating cost, \$/boe	5.6	5.0	13%	5.7	(0)%	4.6	21%
DD&A, \$/boe	1.64	1.78	(8)%	1.56	5%	1.56	5%
MidContinent							
Throughput (mb/d)	78.5	78.0	1%	76.0	3%	82.5	(5)%
Crude	72.5	72.2	0%	72.5	0%	76.3	(5)%
Other	6.0	5.8	3%	3.5	70%	6.1	(3)%
Total product Available for Sales	85.0	74.2	15%	75.6	12%	75.7	12%
Refining gross margin, \$/boe	9.0	10.9	(17)%	7.4	23%	2.1	337%
Operating cost, \$/boe	3.3	4.2	(20)%	4.3	(23)%	3.7	(9)%
DD&A, \$/boe	0.35	0.50	(30)%	0.6	(42)%	0.5	(26)%
Marketing							
Wholesale Fuel Volume (mm gallons)	58.8	59.9	(2)%	54.9	7%	59.3	(1)%
Wholesale Fuel Margin (\$/gallons)	0.167	0.131	27%	0.169	(2)%	0.132	27%
Operating expense, \$/bl	1.21	1.23	(1)%	0.76	59%	1.28	(5)%
Retail							
Avg CO-OP site	376	379	(1)%	409	(8)%	383	(2)%
Fuel Volume Per Month per Site (000s gallon)	83.1	85.6	(3)%	78.6	6%	90.1	(8)%
Fuel Margin (\$/gallon)	0.12	0.11	12%	0.13	(3)%	0.15	(17)%
Merchandise Margin (%)	29.4%	30.1%	(2)%	30.8%	(5)%	29.2%	1%

Source: Company Data, Barclays Research Estimates

Corporate, Net Financing & Other

- **Net Interest Expense:** Net interest expense came in at \$12.4 mm, essentially in line with our estimate of \$12.1 mm.
- **Capex:**

- **2012 Capex:** Management expects 2012 capex to be \$124.8 million, up by \$12 million from previous guidance. Spending will fall \$95 million into refining, \$25 million in marketing and \$5 million in other areas.
- **Balance Sheet:** The company ended the quarter with a net debt to capital ratio of 23%. Long term debt was \$297 million (net of current portion of long term debt) at quarter end compared to \$298 million the end of 2011.

Figure 9: Key Balance Sheet Items

\$ million	1Q12	4Q11	Variance		1Q11	Variance	
			V\$	V\$/share		V\$	V\$/share
Cash & ST investments	235.1	225.9	9.2	0.11	110.7	124.4	1.97
Total Debt	441.2	432.6	8.6	2.41	277.7	163.5	2.42
Net Debt	206.1	206.7	(0.6)	(1.16)	167.0	39.1	0.45
Shareholder Equity	698.2	653.6	44.6	1.78	459.0	239.2	3.47
Debt/Capital, %	39%	40%	-1%		38%	1%	
Net Debt/Capital, %	23%	24%	-1%		27%	-4%	

Source: Company Data, Barclays Research

Forecasts

The following charts show our models in detail.

Figure 10: Global Assumptions

	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2001-2010 Average
Petroleum Prices:									
WTI Average Spot Price (\$/b)	\$99.68	\$61.60	\$79.08	\$92.69	\$88.24	\$81.00	\$95.00	\$95.00	\$56.15
Brent Average Spot Price (\$/b)	\$96.39	\$61.53	\$79.43	\$111.00	\$103.75	\$90.00	\$100.00	\$100.00	\$54.24
U.S. Natural Gas Spot Price (\$/Mcf)	8.54	3.87	4.43	4.22	4.24	4.39	4.59	5.10	\$5.73
Cash Refining Margins(\$/b):									
Merchant Refining Centers									
U.S. Gulf Coast LLS 6-3-2-1	\$2.45	\$2.42	\$2.13	\$3.42	\$2.65	\$2.55	\$2.45	\$2.35	\$3.53
U.S. Gulf WTI 3-2-1	\$11.66	\$8.78	\$10.16	\$28.36	\$25.02	\$17.86	\$12.41	\$12.56	\$9.37
N.W. Europe (Simple)	\$1.30	\$0.49	\$0.90	-\$0.86	\$0.48	\$0.38	\$0.28	\$0.18	\$1.12
N.W. Europe (Medium)	\$4.64	\$0.53	\$2.25	\$2.04	\$2.13	\$2.05	\$1.60	\$1.50	\$1.98
Singapore (Simple)	\$2.17	-\$1.01	\$0.47	-\$0.67	-\$0.25	-\$0.35	-\$0.45	-\$0.55	\$0.22
Singapore (Medium)	\$6.64	\$3.44	\$4.93	\$8.83	\$8.75	\$7.81	\$7.46	\$7.36	\$4.91
Niche Refining Markets									
U.S. East Coast	\$5.63	\$3.02	\$4.02	\$4.15	\$3.61	\$3.51	\$3.41	\$3.31	\$3.82
U.S. Mid-Continent	\$9.29	\$6.27	\$7.00	\$25.32	\$23.27	\$16.29	\$11.19	\$11.09	\$8.10
U.S. Rocky Mountain	\$15.82	\$8.29	\$11.92	\$28.77	\$30.93	\$26.85	\$24.71	\$25.21	NA
U.S. Midwest	\$15.04	\$9.43	\$12.13	\$23.69	\$19.94	\$17.00	\$17.15	\$17.55	\$12.26
U.S. West Coast	\$11.56	\$10.40	\$7.34	\$7.35	\$6.52	\$7.08	\$7.73	\$9.63	\$12.09
U.S. Pacific NW	\$13.97	\$9.58	\$11.76	\$14.17	\$11.52	\$12.08	\$12.73	\$13.63	NA
Japan	\$5.00	\$1.67	\$3.75	\$5.38	\$5.19	\$4.25	\$3.90	\$3.80	NA
Integrated Marketing Margins(\$/gallon):									
PADD I	\$0.482	\$0.327	\$0.337	\$0.371	\$0.352	\$0.385	\$0.361	\$0.362	\$0.330
PADD II	\$0.330	\$0.269	\$0.285	\$0.285	\$0.267	\$0.306	\$0.281	\$0.276	\$0.247
PADD III	\$0.381	\$0.257	\$0.254	\$0.264	\$0.245	\$0.285	\$0.270	\$0.270	\$0.263
PADD IV	\$0.357	\$0.226	\$0.267	\$0.239	\$0.244	\$0.294	\$0.282	\$0.282	\$0.290
PADD V (excluding California)	\$0.312	\$0.228	\$0.272	\$0.235	\$0.216	\$0.256	\$0.238	\$0.236	\$0.248
California	\$0.406	\$0.365	\$0.405	\$0.436	\$0.415	\$0.395	\$0.370	\$0.365	\$0.327
Crude Oil Differentials (\$/b)									
WTI/Brent	\$3.29	\$0.07	(\$0.35)	(\$18.31)	(\$15.51)	(\$9.00)	(\$5.00)	(\$5.00)	\$1.91
WTI/LLS	(\$2.95)	(\$2.76)	(\$3.64)	(\$19.02)	(\$16.88)	(\$10.00)	(\$5.00)	(\$5.00)	(\$1.42)
WTI/WCS	NA	\$9.39	\$14.57	\$15.82	\$9.97	\$11.17	\$16.67	\$17.67	NA
WTI/WTS	\$3.55	\$1.32	\$1.88	\$1.57	\$0.91	\$1.82	\$2.14	\$2.14	\$3.28
LLS/Maya	\$18.40	\$7.83	\$12.45	\$15.42	\$13.74	\$12.06	\$11.56	\$11.56	\$11.95
LLS/Mars	\$8.72	\$3.90	\$4.79	\$4.78	\$4.44	\$3.18	\$2.80	\$2.80	\$5.90

Source: Barclays Research, Platts, Bloomberg

Figure 11: Operating Data

	2009	2010	2011	2012E	2013E	2014E	2015E	2016E R, 20011-16E	
Refining System									
Throughput Volumes (mb/d)									
Tyler - Gulf Coast	34	54	61	60	60	60	60	60	(0.1)%
Mid-Continent - Lion Oil			54	77	82	82	82	82	
Total Throughput	34	54	115	138	143	143	143	143	4.4%
Gross Margin Per Throughput (\$/bbl)									
Tyler - Gulf Coast	\$11.08	\$7.67	\$17.93	\$17.04	\$12.02	\$9.87	\$10.14	\$10.39	(10.3)%
Mid-Continent - Lion Oil			\$9.02	\$8.11	\$8.54	\$7.08	\$7.58	\$7.83	
Combined System	\$11.08	\$7.67	\$13.72	\$12.02	\$10.01	\$8.26	\$8.66	\$8.91	(8.3)%
Operating Costs (\$/bbl)									
Tyler - Gulf Coast	\$7.69	\$5.21	\$5.27	\$5.43	\$5.65	\$5.81	\$5.92	\$6.07	29%
Mid-Continent - Lion Oil			\$4.08	\$3.68	\$3.54	\$3.61	\$3.68	\$3.75	
Combined System	\$7.69	\$5.21	\$4.72	\$4.41	\$4.38	\$4.49	\$4.58	\$4.67	(0.2)%
Retail System									
Avg # of CO-OP stores	455	428	394	385	401	416	431	446	25%
<i>Per Site Data</i>									
Fuel Volume (000s Gallons per day per site)	76.0	82.5	86.6	86.7	87.1	86.7	86.4	86.1	-0.1%
Merchandise Per Store/Yr (\$ 000s)	\$830	\$897	\$951	\$1,028	\$1,069	\$1,112	\$1,156	\$1,202	4.8%
<i>Gross Margin/Cost Per Unit Data</i>									
Fuel Margin (\$/gallon)	\$0.135	\$0.161	\$0.162	\$0.158	\$0.172	\$0.160	\$0.159	\$0.159	-0.4%
Selling Expenses (\$/gallon)	\$0.322	\$0.318	\$0.324	\$0.324	\$0.330	\$0.337	\$0.343	\$0.350	1.6%
Merchandise Margin w/o Lottery (%)	30.8%	30.5%	29.8%	29.4%	29.7%	30.0%	30.3%	30.6%	0.5%
<i>Gross Profit Data (\$ millions)</i>									
Fuel Profit	\$56.0	\$68.3	\$66.3	\$63.1	\$71.9	\$69.3	\$71.1	\$73.0	1.9%
Merchandise Profit	\$116.1	\$117.2	\$111.5	\$116.2	\$127.0	\$138.4	\$150.6	\$163.7	8.0%

Source: Company Data, Barclays Research Estimates

Figure 12: Segment Operating Earnings, (Dollars and shares in millions, except per share data)

	2009	2010	2011	2012E	2013E	2014E	2015E	2016E R, 20011-16E	
Operating Profit									
Refining & Wholesale	\$14.7	\$14.2	\$329.0	\$343.4	\$250.4	\$150.4	\$167.4	\$175.9	(11.8)%
Retail Marketing	16.8	27.9	19.3	23.1	31.0	29.1	32.3	36.2	13.4%
Marketing & Supply	20.9	22.0	22.8	33.1	38.1	38.5	40.2	42.8	13.4%
SG&A	(65.7)	(58.8)	(80.3)	(105.0)	(97.1)	(94.0)	(95.9)	(97.8)	4.0%
Operating Income	(\$13.3)	\$5.2	\$290.8	\$294.7	\$222.4	\$124.0	\$144.1	\$157.1	(11.6)%
Equity Earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Others	1.4	0.0	(2.2)	0.0	0.0	0.0	0.0	0.0	NM
Interest Expense, Net	(25.4)	(34.1)	(51.2)	(47.2)	(37.7)	(38.8)	(41.0)	(33.8)	(8.0)%
Earnings Before Taxes	(\$37.3)	(\$28.9)	\$237.4	\$247.5	\$184.7	\$85.2	\$103.1	\$123.3	(12.3)%
Income Taxes	11.2	9.7	(85.3)	(89.8)	(67.1)	(30.9)	(37.4)	(44.7)	(12.1)%
<i>Tax Rate</i>	30.1%	33.4%	35.9%	36.3%	36.3%	36.3%	36.3%	36.3%	0.2%
After-tax, Pre-Minority Interest	(\$26.1)	(\$19.3)	\$152.1	\$157.7	\$117.7	\$54.3	\$65.7	\$78.5	(12.4)%
Minority Interest			(4.8)	0.0	0.0	0.0	0.0	0.0	NM
Net Income (Operating Basis)	(\$26.1)	(\$19.3)	\$147.3	\$157.7	\$117.7	\$54.3	\$65.7	\$78.5	(11.8)%
Special Items	\$26.8	(\$60.2)	\$11.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	NM
Net Income (Reported Basis)	\$0.7	(\$79.5)	\$158.7	\$157.7	\$117.7	\$54.3	\$65.7	\$78.5	(13.1)%
Preferred Dividend	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	NM
Net Income Available to Commonholders	\$0.7	(\$79.5)	\$158.7	\$157.7	\$117.7	\$54.3	\$65.7	\$78.5	(13.1)%
EPS Calculation									
Avg. Shares - Fully Diluted	54.5	54.3	57.0	58.8	59.0	59.2	59.4	59.6	0.9%
Earnings Per Share (Operating Basis)	(\$0.48)	(\$0.36)	\$2.58	\$2.70	\$2.00	\$0.90	\$1.10	\$1.30	(12.8)%
Earnings Per Share (Reported Basis)	\$0.01	(\$1.46)	\$2.78	\$2.70	\$2.00	\$0.90	\$1.10	\$1.30	(14.1)%
Earnings Per Share (from income av to common shares)	\$0.01	(\$1.46)	\$2.78	\$2.70	\$2.00	\$0.90	\$1.10	\$1.30	(14.1)%
Memo:									
EBITDA (Operating Basis)	\$40.5	\$66.3	\$362.7	\$374.8	\$307.1	\$212.3	\$235.9	\$252.6	(7.0)%
EBITDA/Share (Operating Basis)	\$0.74	\$1.22	\$6.36	\$6.35	\$5.20	\$3.60	\$3.95	\$4.25	(7.7)%
Aftertax CF (Operating Basis)	\$44.1	\$64.6	\$254.3	\$267.8	\$226.4	\$167.2	\$183.6	\$195.6	(5.1)%
Aftertax CF/Share (Operating Basis)	\$0.81	\$1.19	\$4.46	\$4.55	\$3.85	\$2.80	\$3.10	\$3.30	(5.8)%
P/E	(14.2)	(20.5)	4.4	6.0	8.1	17.9	14.6	12.4	
EV/EBITDA	13.7	9.7	2.4	2.9	3.2	5.6	4.8	4.3	
EV/After-tax CF	12.5	10.0	3.4	4.0	4.3	7.1	6.2	5.5	

Source: Company Data, Barclays Research Estimates

Figure 13: Statement of Cash Flow, (Dollars in millions)

	2009	2010	2011	2012E	2013E	2014E	2015E	2016E R, 20011-16E	
Operating Activities									
Net Income	\$0.7	(\$79.5)	\$158.7	\$157.7	\$117.7	\$54.3	\$65.7	\$78.5	(13.1)%
Depreciation and Amortization	52.4	61.1	74.1	80.1	84.7	88.3	91.8	95.5	5.2%
Stock Option Plan Compensation	4.0	3.1	2.7	2.7	2.7	2.7	2.7	2.7	Unch
Deferred Income Tax Provision	39.8	(4.6)	57.7	0.0	0.0	0.0	0.0	0.0	NM
Disposition of Assets	4.6	0.7	3.6	0.0	0.0	0.0	0.0	0.0	NM
Change in Working Capital	62.8	27.0	(163.7)	0.0	0.0	0.0	0.0	0.0	NM
Others	(26.5)	63.2	(7.8)	0.0	0.0	0.0	0.0	0.0	NM
Net Cash Flow From Operating Activities	\$137.8	\$71.0	\$130.1	\$240.5	\$205.1	\$145.2	\$160.2	\$176.7	6.3%
Investing Activities									
Capital Additions & Deferred Turnaround Costs	(\$170.0)	(\$56.8)	(\$81.0)	(\$125.0)	(\$100.0)	(\$100.0)	(\$100.0)	(\$100.0)	4.3%
Acquisitions	0.0	0.0	(118.2)	(23.3)	0.0	0.0	0.0	0.0	NM
Proceed from Asset Sales	21.8	8.3	3.5	0.0	0.0	0.0	0.0	0.0	NM
Change in S-T investment	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Other	40.3	4.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Net Cash Flow From Investing Activities	(\$102.9)	(\$44.5)	(\$195.7)	(\$148.3)	(\$100.0)	(\$100.0)	(\$100.0)	(\$100.0)	(12.6)%
Financing Activities									
Long-Term Debt Reduction, Net	(\$588.8)	(\$936.4)	(\$700.6)	\$0.0	(\$135.8)	(\$40.5)	(\$109.6)	(\$50.1)	(41.0)%
Long Term Borrowings, Net	619.9	915.1	762.4	0.0	0.0	200.0	0.0	0.0	NM
Increase/(Decrease) of Short-Term Debt	0.0	0.0	0.0	(74.2)	0.0	0.0	0.0	0.0	NM
Common Stock Dividends	(8.1)	(8.4)	(19.5)	(14.1)	(8.9)	(8.9)	(8.9)	(8.9)	(14.4)%
Minority Interest Shares Purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Issuance of Preferred and Common Shares	0.0	0.0	2.6	0.0	0.0	0.0	0.0	0.0	NM
(Increase)/Decrease of Restricted Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM
Other	(4.8)	(16.1)	197.5	0.0	0.0	(240.0)	0.0	0.0	NM
Net Cash Flow From Financing Activities	\$18.2	(\$45.8)	\$242.4	(\$88.3)	(\$144.7)	(\$89.4)	(\$118.5)	(\$59.0)	NM
Net Change in Cash and Cash Equivalents	\$53.1	(\$19.3)	\$176.8	\$3.9	(\$39.6)	(\$44.1)	(\$58.3)	\$17.7	(36.9)%
Cash and Cash Equivalents									
At Start of Year	\$15.3	\$68.4	\$49.1	\$225.9	\$229.8	\$190.2	\$146.1	\$87.7	12.3%
At End of Year	68.4	49.1	225.9	229.8	190.2	146.1	87.7	105.4	(14.1)%
Memo:			225.9	219.1	172.3	157.4	116.4	150.7	
Restricted Cash	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	NM
Short Term Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM

Source: Company Data, Barclays Research Estimates

Figure 14: Capital Structure

	2009	2010	2011	2012E	2013E	2014E	2015E	2016E R, 20011-16E	
Capital Structure									
Short-Term Debt	\$17.7	\$14.1	\$74.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	NM
Long-Term Debt and Capital Lease	234.4	281.7	358.4	358.4	222.6	382.1	272.5	222.4	(9.1)%
Shareholders' Equity	531.0	443.3	653.6	797.1	905.9	951.4	1,008.1	1,077.7	105.5%
Total Capital	\$783.1	\$739.1	\$1,086.2	\$1,155.5	\$1,128.5	\$1,333.5	\$1,280.6	\$1,300.1	3.7%
Debt as a Percentage of Capital	32%	40%	40%	31%	20%	29%	21%	17%	
Memo:									
Return on Average Total Equity	(4.9)%	(4.0)%	26.9%	21.7%	13.8%	5.8%	6.7%	7.5%	
Return on Average Invested Capital	(1.0)%	0.5%	19.7%	16.7%	12.4%	6.4%	7.0%	7.8%	
Return on Average Market Capitalization	-1.4%	0.5%	20.3%	15.7%	11.4%	6.3%	7.2%	8.3%	

Source: Company Data, Barclays Research Estimates

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Primary Stocks (Ticker, Date, Price)

Delek US Holdings Inc. (DK, 02-May-2012, USD 16.05), 1-Overweight/1-Positive

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Tesoro Corporation (TSO)

HollyFrontier Corp. (HFC)

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Valero Energy (VLO)

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Delek US Holdings Inc. (DK)

USD 16.05 (02-May-2012)

Stock Rating

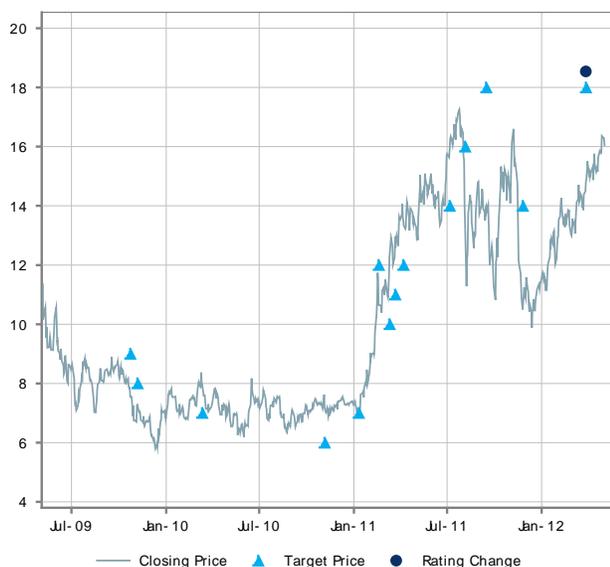
1-OVERWEIGHT

Sector View

1-POSITIVE

Rating and Price Target Chart - USD (as of 02-May-2012)

Currency=USD



Date	Closing Price	Rating	Price Target
27-Mar-2012	14.82	1-Overweight	18.00
25-Nov-2011	10.50		14.00
15-Sep-2011	13.97		18.00
05-Aug-2011	13.39		16.00
06-Jul-2011	15.87		14.00
07-Apr-2011	13.52		12.00
22-Mar-2011	12.95		11.00
11-Mar-2011	12.27		10.00
18-Feb-2011	10.65		12.00
10-Jan-2011	6.89		7.00
05-Nov-2010	7.16		6.00
12-Mar-2010	7.98		7.00
06-Nov-2009	7.28		8.00
23-Oct-2009	7.55		9.00

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