

Initiated 2026-10-05 · Price \$55.33 (as of 2026-10-05 intraday, stockanalysis) · Mkt cap \$5.56bn · Energy / petroleum refining (plus a ~37% stake in CVR Partners) · Model: verified

Rating: Sell — Conviction: High

CVR Energy is a two-refinery mid-continent merchant refiner whose RIN costs and hedge losses absorbed most of the windfall: adjusted refining margin was \$8.59/bbl in H1 2026 at a \$33 Group 3 crack. At \$55 the stock trades at 12.4x forward earnings against 4.5–6.2x for its refining peers and prices Q3-2026-type margins as permanent. Even our bull case, with cracks staying high through 2027 and full RFS relief at Wynnewood, sits below today's price.

Conviction tests (3a-v-c): T1 pass (Sell at both $\pm 1pp$) · T2 pass · T3 pass (one est input, CVR Partners' year-end cash, moves Base 3.8%) · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

CVI owns the Coffeyville (Kansas) and Wynnewood (Oklahoma) refineries. They ran 213k bpd in Q2 2026, sell gasoline and diesel into the PADD II Group 3 market, and process discounted WTI and Canadian heavy crude (WCS averaged \$13.96 under WTI in Q2). It also owns and consolidates ~37% of CVR Partners (UAN, nitrogen fertilizer) plus its GP; we value that stake at market and model refining plus corporate only. Earnings turn on the Group 3 crack (\$22.63 in FY2025, \$44.91 in Q2 2026), how much of it survives RFS compliance (CVI is a large net RIN buyer: Q2 RIN expense \$216mm, \$11.16/bbl, ~25 points of capture), and throughput (182k bpd in FY2025 after turnaround and outage downtime).

Competition

In Group 3, CVI competes with HF Sinclair (El Dorado, Tulsa), Phillips 66 (Ponca City, Borger), CHS (McPherson) and Valero (Ardmore). Peers with blending and marketing generate RINs; CVI buys them, so RFS cost is the competitive variable. The current datapoint (Q2 2026 call) is 28% capture on a \$44.91 crack. Pressure shows up in capture, not share. The record 2026–27 RVO and EPA's proposal to reallocate 100% of the 1.76bn RINs exempted for 2025 into 2026–27 obligations (AgriNews, 2026-09-12) both raise the price of a RIN. The closest listed comparable, HF Sinclair, trades at 6.24x forward P/E against CVI's 12.35x.

Bull case

- 1. **The windfall lasts** — Gulf and Red Sea disruption keeps Group 3 cracks near Q3's ~\$59 into 2027 (management said cracks averaged \$58.70 through late July), so 2027 adjusted margin reaches ~\$19/bbl. Plays out if Gulf flows stay impaired past early 2027. *Model: realized_price*
- 2. **RFS relief becomes structural** — EPA granted Wynnewood a full 2025 exemption on 2026-09-12, and CVI is buying only 50% of its 2026 obligation. Repeated exemptions would remove ~1/3 of blended RIN cost and support a higher multiple. Plays out if EPA keeps granting Wynnewood's petitions and RIN prices ease. *Model: realized_price, exit_ev_ebitda*
- 3. **Clean operations** — Q2 crude utilization was 98.4% and opex \$5.93/bbl, and the Q3 guide is 205–220k bpd. Plays out if no unplanned outage recurs. *Model: volume_growth, unit_cash_cost*

Bear case

- 1. **Mean reversion meets a fixed RIN bill** — RIN cost is charged per barrel, so when cracks fall back toward the 2024–25 range of \$18–23, adjusted margin falls faster than the crack. That happened in FY2024–25: \$8.67–\$10.45/bbl and petroleum Adjusted EBITDA of \$138–199mm. Plays out if Gulf flows normalize in H1 2027. *Model: realized_price, volume_growth*
- 2. **RIN inflation by regulation** — the record RVO plus reallocation of exempted volumes keep RINs near Q2's ~\$14/bbl blended for non-exempt Coffeyville barrels. Plays out if EPA finalizes the reallocation proposal (due before end-October 2026). *Model: realized_price*
- 3. **No multiple for peak earnings** — investors pay ~4–5x mid-cycle EBITDA for a non-blending inland refiner controlled by Icahn Enterprises (~71%), and less as gasoline demand declines. Plays out as cracks fade. *Model: exit_ev_ebitda, terminal_growth*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
Forward P/E (stockanalysis consensus)	12.35x	n/a (unverified)	DINO 6.24x · DK 4.85x · PARR 4.46x	stockanalysis, 2026-10-05
EV/EBITDA trailing (stockanalysis; lease-inclusive, consolidated incl. CVR Partners and the Aug-2025 SRE credit)	8.53x	n/a (unverified)	DINO 6.62x · DK 6.91x · PARR 4.02x	stockanalysis, 2026-10-05
EV/EBITDA, model basis (mkt cap – cash ex-UAN + non-Nitrogen debt – UAN stake; Petroleum Adj. EBITDA)	29.2x FY2025 · 17.1x FY2026E base	—	—	model; FY2025 release
Adjusted refining margin, \$/bbl	\$8.59 (H1 2026; Q2 \$12.43)	\$8.67–\$20.53 (FY2022–25, avg \$14.50)	—	FY2023/FY2025/Q2 2026 releases

Model-implied value range (from `model-summary.json`; energy module, DCF (Gordon) and DCF (exit multiple), midpoints): Bear \$0.00 · Base \$18.14 · Bull \$38.45 per share, i.e. implied returns of –100% / –67% / –31% vs \$55.33. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits above the bull case. The market is paying for more than the bull path (\$19/bbl in 2027, then \$14.50, the FY2022–25 average earned with lower RIN costs). Re-rating: the model-basis multiple is 29.2x trough FY2025 and 17.1x Base FY2026E EBITDA, so Base's 5.0x exit is an 83% / 71% de-rating; Gordon (\$18.19) and exit (\$18.09) agree within 1%. ~\$4.90 of the Base and Bull values per share is the CVR Partners stake marked at \$126.01 a unit.

Floored bear: both bear methods print \$0.00. That is not an insolvency forecast: at a \$9.50/bbl margin and \$6.40/bbl opex, EBITDA (~\$110mm) doesn't cover ~\$175mm of capex, so refining FCF is negative every year (FY2024's actual was \$138mm). Base keeps ~\$400mm of mid-cycle EBITDA. No tail sensitivity was run; the bear already floors.

Balance sheet: at the FY0 (2025-12-31) model basis, non-Nitrogen net leverage was 3.75x and coverage 2.24x. Both are stale. In H1 2026 CVI refinanced its 8.50% 2029 notes into \$600mm of 7.50% 2031 and \$400mm of 7.875% 2034 notes, cut the 5.75% 2028 notes to \$183mm and repaid the \$154mm petroleum term loan. That leaves ~\$1.2bn of non-Nitrogen debt against \$600mm of cash at 2026-06-30. The nearest material maturity is \$183mm in 2028. The RFS obligation liability rose from \$72mm to \$408mm in H1 2026. Ratings: Moody's B2/stable (secondary; date n/a (unverified)); S&P stable outlook, rating n/a (unverified).

Model note: verified (LibreOffice matched all 3,511 formula cells). Unverified input: `market.cash`, which nets CVR Partners' \$69.2mm year-end cash taken from a search summary (moves Base \$0.69). Assumptions without basis: none. No scenario consistency CHECKS. "Revenue" in this model is adjusted refining margin, not GAAP revenue. FY2022–23 margins are rebuilt to today's definition. Fixed costs are a calibrated residual (\$41–207mm FY2022–25; H1 2026 ~\$86mm annualized). The UAN stake is a negative `other_claims` at market; FY0 cash and debt are at 2025-12-31 to avoid double-counting H1 2026. Turnaround accounting wasn't verified; capex carries an allowance. No company EPS guidance; Base Y1 EPS (\$0.60) is far below the ~\$4.48 implied by consensus, which covers NTM peak quarters and includes CVI's share of UAN earnings.

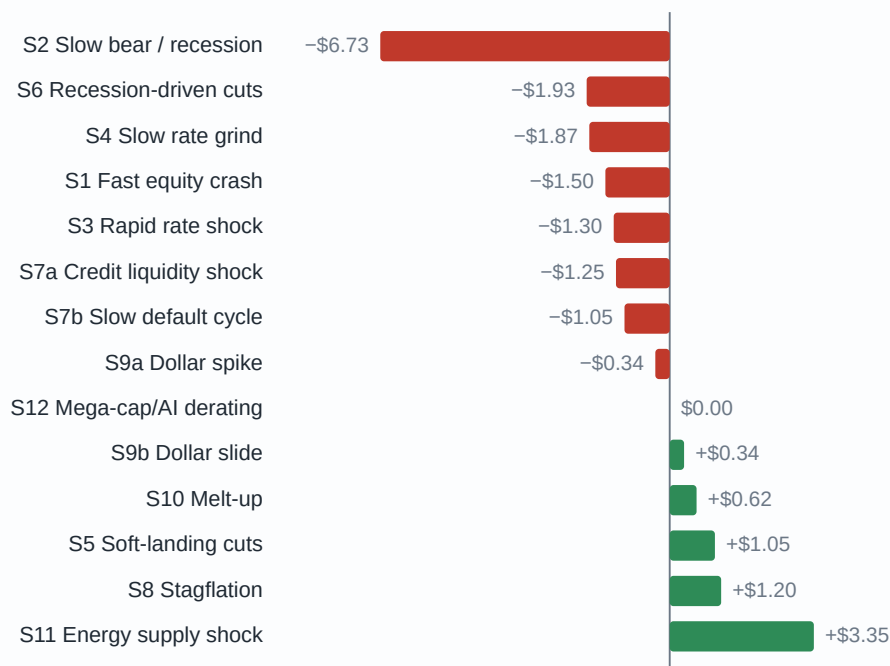
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Cyclical de-rates; cracks unaffected over weeks	Med	–\$1.50
S2 Slow bear / recession	–	Demand falls; margin –35% in 2027–29 because RIN cost is fixed per barrel. Milder than Base – Bear because it's transitory, not a plateau, and 2026 is largely banked	High	–\$6.73
S3 Rapid rate shock	–	Higher discount rate and HY coupons	Low	–\$1.30
S4 Slow rate grind	–	Sticky inflation lifts opex 3% and the discount rate	Med	–\$1.87
S5 Soft-landing cuts	+	Steady demand supports cracks; lower discount rate	Low	+\$1.05
S6 Recession-driven cuts	–	Demand recession compresses margins 25%; cuts only partly offset	Med	–\$1.93
S7a Credit liquidity shock	–	B-rated HY issuer de-rates; only \$183mm due before 2031	Low	–\$1.25
S7b Slow default cycle	–	Weaker freight and farm diesel demand plus wider spreads	Low	–\$1.05
S8 Stagflation	+	Supply-driven product inflation widens cracks faster than opex; RIN inflation offsets part	Low	+\$1.20
S9a Dollar spike	–	Inland seller; small effect via weaker US export pull on Gulf product	Low	–\$0.34
S9b Dollar slide	+	Export pull tightens mid-continent supply	Low	+\$0.34
S10 Melt-up	+	Beta to a broad rally	Low	+\$0.62
S11 Energy supply shock	+	Global product tightness lifts Group 3 cracks while CVI runs discounted WTI/WCS (the current regime)	High	+\$3.35
S12 Mega-cap/AI derating	0	no material effect, not modeled	Low	\$0.00

Currently active/on watch per the playbook: S3 partially active; S8, S10, S11 on watch (S11 escalated 2026-09-19/20).

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: Q3–Q4 2026 capture holds above ~40% with Group 3 cracks above \$35 into Q1 2027; EPA withdraws the reallocation proposal or grants Wynnewood's 2026 petition while RINs fall below ~\$8/bbl blended; or the stock falls toward the \$20s–30s while cracks hold. **Downgrades if:** n/a; already Sell. The Sell strengthens if the reallocation rule is finalized, an unplanned outage occurs, or cracks collapse after a Gulf normalization.

Watch items

- **W1:** Q3 2026 adjusted refining margin vs ~\$18/bbl in the base path (H2 average ~\$14.6) — above \$22 favors bull, below \$14 bear — Q3 release — late Oct 2026 — *Model: realized_price*
- **W2:** EPA final rule reallocating 2025 SRE volumes into 2026–27 RVOs, and the decision on Wynnewood's 2026 petition — Federal Register / 8-K — end-Oct 2026 and later — *Model: realized_price*
- **W3:** Q3 throughput within the 205–220k bpd guide with no unplanned outage — Q3 release — late Oct 2026 — *Model: volume_growth*
- **W4:** Use of the Q3 RFS revaluation gain from the 2025 Wynnewood exemption, debt reduction toward ~\$1bn gross ex-UAN, and any Icahn Enterprises action on its ~71% stake — Q3 release / 8-K — *Model: none*

Sources

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.