

Initiated 2026-10-05 · Price \$75.40 (as of 2026-10-05 intraday, stockanalysis) · Mkt cap \$4.62bn · Energy / petroleum refining (plus a ~58% stake in Delek Logistics) · Model: verified

## Rating: Hold — Conviction: High

Delek is a four-refinery Gulf Coast and Permian merchant refiner earning a windfall: Q2 2026 adjusted refining margin was \$19.82/bbl against \$13.12 for FY2025. At \$75 the market already prices most of the windfall plus continued small-refinery exemptions (SREs), and the ~58% DKL stake alone is worth ~\$30 a share. The base path, with cracks halving in 2027 and a mid-cycle margin a little above the FY2022–25 average, sits modestly above the price. The skew is wide both ways and turns on EPA policy, so the stock is fairly priced, not mispriced.

Conviction tests (3a-v-c): T1 pass (Hold at both  $\pm 1pp$ : base +10% / +19%) · T2 pass (Gordon +12%, exit +16%) · T3 pass (no est inputs) · T4 pass

### MODEL VALUE RANGE VS PRICE



## Business overview

DK owns refineries at Tyler (TX), El Dorado (AR), Big Spring (TX) and Krotz Springs (LA), with 302k bpd of combined crude nameplate. They ran 315,555 bpd of total throughput in Q2 2026, mostly on inland WTI and WTI Midland crude, and sell into Gulf Coast-priced markets. DK also owns and consolidates ~58% of Delek Logistics Partners (DKL), which the refineries pay fees. We value that stake at market and model refining plus corporate only. Three variables drive earnings. The first is Gulf Coast cracks: the 5-3-2 averaged \$46.25 in Q2 2026, and benchmark cracks were up 136% year on year. The second is RIN cost: all four plants are small refineries, so SRE grants decide whether DK pays it. The third is throughput, which fell to 287,947 bpd in H1 2026 because of a Q1 turnaround.

## Competition

In East Texas and the Gulf Coast, DK competes with large integrated and merchant refiners (Valero, Marathon, ExxonMobil). In West Texas and New Mexico, Big Spring competes with HF Sinclair's Navajo system. Pressure shows up in capture (Q2 2026: El Dorado \$16.40/bbl vs Tyler \$23.30), not share. DK's distinguishing feature is regulatory. EPA granted it full and partial exemptions on substantially all of its 20 petitions for 2019–2024 (August 2025) and granted 2025 SREs on 2026-08-31. The D.C. Circuit also vacated EPA's denial of Krotz Springs' 2024 petition in April 2026. On forward P/E, the closest listed comparable, HF Sinclair, trades at 6.32x against DK's 4.90x.

## Bull case

1. **The windfall lasts.** Supply disruption keeps Gulf Coast cracks near Q2–Q3 2026 levels into 2027, so the margin including SRE value stays ~\$21/bbl in 2027 before settling at \$16. Plays out if Middle East product flows stay impaired past early 2027. *Model: realized\_price*
2. **SREs become structural.** After grants for 2019–2025, full exemptions for 2026 onward would remove nearly all of a RIN obligation that ran ~\$10/bbl in Q2 2026. A cleaner margin earns a higher multiple. Plays out if EPA keeps granting DK's petitions in full. *Model: realized\_price, exit\_ev\_ebitda*
3. **The Enterprise Optimization Plan (EOP) delivers.** Management targets ~\$200mm of run-rate cash-flow improvement. Fixed costs fall toward ~\$190mm, and opex holds Q2's \$5.32/bbl. Plays out if Corporate/Other spending (~\$147mm in H1 2026) visibly falls. *Model: fixed\_costs, unit\_cash\_cost*

## Bear case

1. **Mean reversion.** Cracks fall back to the 2024–25 range. That range produced \$5.97–\$13.12/bbl of adjusted margin and a negative FY2024 refining-plus-corporate EBITDA (~\$115mm). Plays out if Gulf supply normalizes in H1 2027. *Model: realized\_price, volume\_growth*
2. **The SRE regime reverses.** A court ruling, a new administration or reallocation of exempted volumes leaves DK paying the full obligation at an elevated RIN price, which caps mid-cycle margin near \$9.50/bbl. Plays out if 2026 petitions are denied or narrowed. *Model: realized\_price*
3. **No multiple for policy-dependent earnings.** Investors pay ~4x mid-cycle EBITDA when a margin depends on discretionary exemptions, and less as gasoline demand declines. *Model: exit\_ev\_ebitda, terminal\_growth*
4. **DKL is ~40% of the equity.** The stake is worth \$1.85bn at \$55.25 a unit. A DKL de-rating or distribution cut falls straight through to DK. DKL's 2026-08 offering at \$50 diluted DK from 63% to 58%. *Model: other\_claims*

## Valuation & balance sheet

| Metric (definition)                                                                                                   | Current                                 | Own history (range or 5y avg)           | Peers                                                            | Source, as-of                  |
|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|------------------------------------------------------------------|--------------------------------|
| Forward P/E (stockanalysis consensus)                                                                                 | 4.90x                                   | n/a (unverified)                        | DINO 6.32x · PARR 4.57x · PBF 3.49x                              | stockanalysis, 2026-10-05      |
| EV/EBITDA trailing (stockanalysis; lease-inclusive, consolidated incl. DKL)                                           | 6.99x                                   | n/a (unverified)                        | DINO 6.64x · PARR 4.18x · PBF 12.03x (depressed trailing EBITDA) | stockanalysis, 2026-10-05      |
| EV/EBITDA, model basis (mkt cap – cash ex-DKL + ex-DKL debt – DKL stake; refining + corporate EBITDA ex-RVO add-back) | 5.3x FY2025 · ~2.1x FY2026E base (est.) | —                                       | —                                                                | model; FY2025 release          |
| Adjusted refining margin, \$/bbl (full RIN cost)                                                                      | \$19.82 (Q2 2026)                       | \$5.97–\$15.88 (FY2022–25, avg \$11.87) | —                                                                | FY2023/FY2025/Q2 2026 releases |

**Model-implied value range** (from `model-summary.json`; energy module, DCF (Gordon) and DCF (exit multiple), midpoints): Bear \$24.20 · Base \$86.00 · Bull \$142.52 per share, i.e. implied returns of –68% / +14% / +89% vs \$75.40. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits just below Base: the market already discounts most of the 2026 windfall and a ~50% SRE grant rate. Re-rating: today's model-basis multiple is 5.3x FY2025 EBITDA, and Base exits at 5.0x, a 6% de-rating. Gordon (\$84.52) and exit (\$87.49) agree within 4%, so Base embeds no re-rating. ~\$29.60 of every case is the DKL stake at market. Tail sensitivity (scratch copy): margin \$17 in 2026, then \$9 and \$8/bbl flat; throughput –4% and –3%; opex \$6.00/bbl; fixed costs \$300mm; capex \$300mm; exit 3.5x; WACC 11.5%; g –1.5%. On those inputs the midpoint is \$8.09, with Gordon floored at \$0.

**Balance sheet:** at the FY0 (2025-12-31) model basis, ex-DKL net leverage was 0.47x and coverage 9.0x, on \$888.7mm of debt and \$614.9mm of cash. On 2026-05-15 the term loan was refinanced to \$850mm due 2032 at SOFR + 300bp. At 2026-06-30, ex-DKL net debt

was \$202.1mm. DKL's \$2.37bn of debt sits in the partnership and is excluded. No ex-DKL maturity falls before 2032. Ratings: n/a (unverified). Not modelled: the inventory intermediation obligation (amount not retrieved this session).

**Model note:** verified (LibreOffice matched all 3,511 formula cells). Unverified inputs: none. Assumptions without basis: none. No scenario consistency CHECKs. "Revenue" here is adjusted refining margin plus assumed SRE value: 50% of the current-period RIN obligation in 2026–27, DK's own Adjusted EBITDA convention. History is on a full-RIN-cost basis. Fixed costs are a calibrated residual (\$180–292mm FY2022–25). Capex (\$260mm) and D&A (~\$290mm) are judgment; refining capex wasn't retrieved. NWC is held flat at FY0. The 2025 SRE grant (a Q3 2026 GAAP gain) is not added; the FY0 RIN liability isn't deducted either. There is no company EPS guidance. Base Y1 EPS of \$14.43 is ~6% below the ~\$15.39 implied by the 4.90x forward P/E, which covers NTM peak quarters.

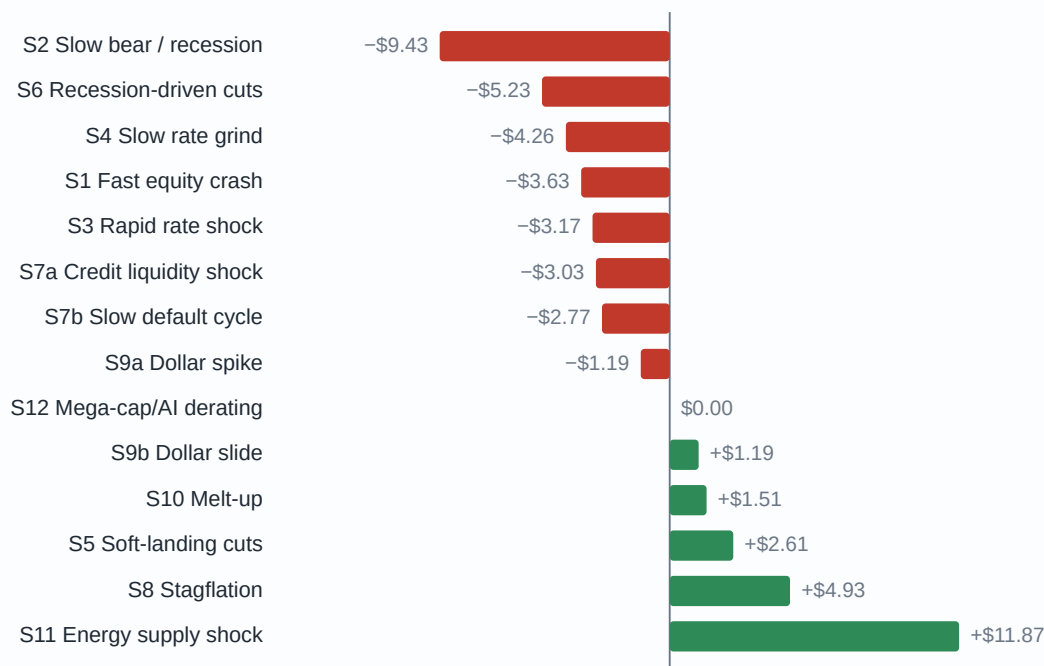
## Scenario stress test

*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       | –\$3.63                       |
| S2 Slow bear / recession   | –      | Demand falls; margin –35% in 2027–29. Milder than Base – Bear because it's transitory, not a permanent plateau, and 2026 is largely banked | High      | –\$9.43                       |
| S3 Rapid rate shock        | –      | Higher discount rate and floating term-loan cost                                                                                           | Low       | –\$3.17                       |
| S4 Slow rate grind         | –      | Sticky inflation lifts opex 3% and the discount rate                                                                                       | Med       | –\$4.26                       |
| S5 Soft-landing cuts       | +      | Steady demand supports cracks; lower discount rate                                                                                         | Low       | +\$2.61                       |
| S6 Recession-driven cuts   | –      | Demand recession compresses margins 25%; cuts only partly offset                                                                           | Med       | –\$5.23                       |
| S7a Credit liquidity shock | –      | Levered issuer de-rates; no ex-DKL maturity before 2032                                                                                    | Low       | –\$3.03                       |
| S7b Slow default cycle     | –      | Weaker freight diesel demand plus wider spreads                                                                                            | Low       | –\$2.77                       |
| S8 Stagflation             | +      | Supply-driven product inflation widens cracks faster than opex                                                                             | Med       | +\$4.93                       |
| S9a Dollar spike           | –      | Weaker export pull on Gulf Coast product                                                                                                   | Low       | –\$1.19                       |
| S9b Dollar slide           | +      | Export pull tightens Gulf Coast supply                                                                                                     | Low       | +\$1.19                       |
| S10 Melt-up                | +      | Beta to a broad rally                                                                                                                      | Low       | +\$1.51                       |
| S11 Energy supply shock    | +      | Global product tightness lifts Gulf Coast cracks while DK runs inland WTI/Midland crude (the current regime)                               | High      | +\$11.87                      |
| S12 Mega-cap/AI derating   | 0      | no material effect, not modeled                                                                                                            | Low       | \$0.00                        |

The scenarios don't shock the DKL stake (more downside in S1/S3/S7a). **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:** EPA grants DK's 2026 petitions in full, or a court or rule makes exemptions predictable; Q3–Q4 2026 adjusted margin holds above ~\$20/bbl into 2027; or the stock falls toward the \$50s while cracks hold. **Downgrades if:** 2026 petitions are denied or a court reverses prior grants; Gulf Coast cracks fall back toward 2024–25 levels in H1 2027; DKL cuts its distribution; or the stock runs toward the \$100s without new evidence for the bull path.

## Watch items

- **W1:** Q3 2026 adjusted refining margin vs ~\$20/bbl in the base path; above \$24 favors bull, below \$15 bear — Q3 release — early Nov 2026 — *Model: realized\_price*
- **W2:** EPA decisions on DK's 2026 SRE petitions and any court challenge to the 2019–2025 grants — EPA / 8-K — 2027 — *Model: realized\_price*
- **W3:** Q3 throughput near Q2's ~315k bpd with no unplanned outage — Q3 release — early Nov 2026 — *Model: volume\_growth*
- **W4:** EOP progress: Corporate/Other below ~\$60mm a quarter and the ~\$200mm run-rate target confirmed — Q3/Q4 releases — *Model: fixed\_costs*

## Sources

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