

Initiated 2026-10-05 · Price \$80.78 (as of 2026-10-02, stockanalysis) · Mkt cap \$9.64bn · Energy / petroleum refining · Model: verified

Rating: Sell — Conviction: High

PBF is earning a geopolitical windfall: Hormuz and Red Sea disruption pushed the NYH 3-2-1 crack to ~\$65 in July–August and ~\$73 on 2026-09-22, against a 2025 average of ~\$23. The stock is up ~165% in a year and now discounts margins staying well above mid-cycle into 2027 and beyond. We think the windfall is real but temporary, and that a high-cost, reliability-challenged coastal refiner should not be valued as if it were permanent.

Conviction tests (3a-v-c): T1 pass (Sell at both $\pm 1pp$) · T2 pass · T3 pass (one est input, TRA liability, moves Base 6.5%) · T4 pass

The rule gives High; the call is still a timing call against a live supply shock, and the price can keep rising while the disruption lasts.

MODEL VALUE RANGE VS PRICE



Business overview

PBF runs six refineries (Delaware City, Paulsboro, Toledo, Chalmette, Torrance, Martinez), with ~1.0mm bpd of capacity across the East Coast, Mid-continent, Gulf Coast and West Coast. It sells gasoline, distillates and other products into wholesale and export markets, and it has a small logistics segment. GAAP revenue was \$29.3bn in FY2025, but what matters for earnings is the gross refining margin: \$8.77/bbl in FY2025 and \$16.67/bbl in H1 2026, against refinery opex of ~\$8.0–8.4/bbl. Three variables drive earnings: regional crack spreads and how much of them PBF captures, throughput (304mm bbl in FY2025 after the February 2025 Martinez fire, vs 330.9mm in FY2024), and opex per barrel, where the RBI program targets \$350mm of run-rate savings by year-end 2026.

Competition

PBF competes with Valero, Marathon, Phillips 66 and HF Sinclair, and on the East Coast with European and Asian product imports. The thesis turns on margins, and the cleanest structural datapoint is on the West Coast. Phillips 66's 139k bpd Los Angeles refinery stopped processing crude at year-end 2025 and Valero's 145k bpd Benicia plant was set to close by April 2026. Together that cuts California capacity ~17%, to at most ~1.3mm bpd (Industrial Info, 2025), which supports Martinez and Torrance (Q3 West Coast guide 270–290k bpd). Pressure would show up first in East Coast cracks as import arbitrage reopens. The closest listed comparable, HF Sinclair, trades at 6.2x forward P/E against PBF's 3.35x. The discount reflects PBF's leverage history, outage record and the market's view that its forward earnings are peak earnings.

Bull case

1. **The windfall lasts** — the September strikes on Saudi Red Sea infrastructure keep global product markets short, and cracks stay near Q3 levels through 2027. Plays out if Gulf export flows stay impaired past the Q1–Q2 2027 normalization ADNOC has guided to. *Model: realized_price*
2. **A structurally higher West Coast mid-cycle** — California capacity loss makes Martinez and Torrance the marginal suppliers, which lifts through-cycle GRM to ~\$14/bbl and justifies a ~6x multiple. Plays out if more California capacity exits and imports stay costly. *Model: realized_price, exit_ev_ebitda*
3. **Self-help on volume and cost** — Martinez restarted in May, the Q3 guide is 900–960k bpd, and RBI pulls opex toward \$7.8/bbl. Plays out if PBF runs a clean year without unplanned outages. *Model: volume_growth, unit_cash_cost*

Bear case

1. **Fast mean reversion** — Ras Tanura restarted on 2026-06-26, ADNOC expects full normalization by Q1–Q2 2027, and Western refiners running at near-max utilization add product. GRM falls back toward FY2024–25's \$8–9/bbl, plus ~\$1 for the West Coast. Plays out if Gulf flows recover on schedule. *Model: realized_price*
2. **Reliability and cost** — PBF has a history of unplanned outages, including the 2025 Martinez fire that cut FY2025 throughput 8%. Opex per barrel rises when volume falls. Plays out if outages recur. *Model: volume_growth, unit_cash_cost*
3. **No multiple for peak earnings** — investors pay ~4x mid-cycle for a high-cost coastal refiner facing secular gasoline decline. Plays out if peers de-rate 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)	3.35x	n/a (unverified)	VLO 7.68x · MPC 6.40x · DINO 6.22x	stockanalysis, 2026-10-02
EV/EBITDA, trailing (lease-inclusive, stockanalysis)	11.63x	n/a (unverified)	VLO 9.00x · MPC 9.43x · DINO 6.62x	stockanalysis, 2026-10-02
EV/EBITDA, model basis (mkt cap – cash + notes + TRA; EBITDA ex special items)	70.6x FY2025 · 2.6x FY2026E base	—	—	model; FY2025 release
GRM ex special items, \$/bbl	\$16.67 (H1 2026)	\$7.89–\$22.00 (FY2022–25, avg \$13.7)	—	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 \$37.37 · Bull \$98.55 per share, i.e. implied returns of –100% / –54% / +22% vs \$80.78. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits much closer to the bull case: the market is paying for 2027 GRM near \$18–20/bbl and a mid-cycle near \$14. On re-rating, today's model-basis multiple is meaningless on trough FY2025 EBITDA (70.6x) and only 2.6x on FY2026E. Base's 5.0x exit on Y5 mid-cycle EBITDA is a re-rating from the peak-year multiple, while the Gordon value (\$28.51) embeds only ~2.8x terminal EBITDA. The exit method (\$46.23) is therefore the higher one, and the gap between the two is a terminal-multiple difference, not noise. Both are well below the price.

Floored bear: both bear methods print \$0.00. That is not a forecast of bankruptcy. At FY2024–25-like margins plus \$1, EBITDA (~\$0.36bn) does not cover ~\$0.77bn of sustaining capex and turnarounds, so FCF stays negative after the 2026 windfall is banked. That says refining at trough margins destroys value, and in practice capacity would close. Base is not floored: it keeps ~\$1.2bn of mid-cycle EBITDA.

Balance sheet: at the FY0 (2025-12-31) model basis, net leverage was 10.05x and coverage 0.96x on trough EBITDA. Both are stale: by 2026-06-30 PBF had repaid the \$801.6mm 2028 notes and the revolver, leaving \$1.8bn of notes (9.875% and 7.875% due 2030, 7.25% due 2034) against \$894.1mm of cash, so net debt was ~\$0.9bn. The nearest material maturity is \$1.3bn in 2030. Base reaches net cash in FY2027. Ratings: Moody's Ba3, negative outlook (May 2025, per a secondary source; current rating n/a (unverified)).

Model note: verified (LibreOffice matched all 3,511 formula cells). Unverified input: `market.other_claims`, the tax receivable agreement liability of \$293.6mm, taken at 2024-12-31 because the FY2025 figure wasn't retrieved; removing it lifts Base to \$39.79. Assumptions without basis: none. No scenario consistency CHECKS. In this model "revenue" is gross refining margin (company \$/bbl × throughput), not GAAP revenue. Fixed costs are a calibrated residual against EBITDA ex special items (FY2022–25 avg ~\$90mm). FY0 cash and debt are deliberately taken at 2025-12-31 so that H1 2026 cash generation isn't counted twice, which leaves out H1 Martinez insurance receipts of \$356.5mm (~\$2.9/sh). There is no company EPS guidance to reconcile Base Y1 EPS (\$22.79) against.

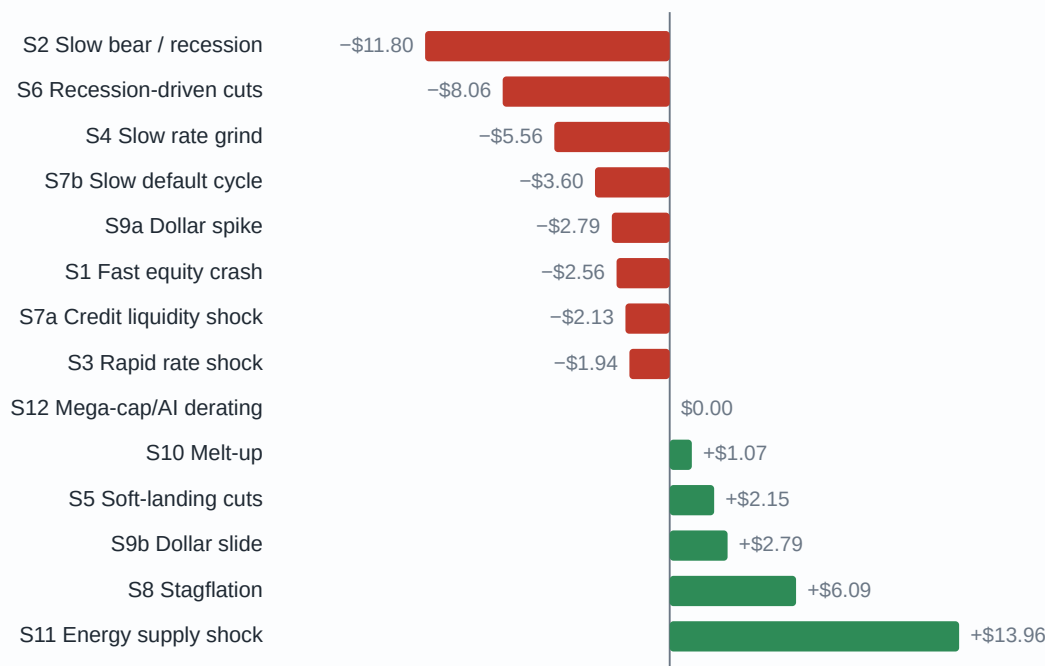
Scenario stress test

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	–	High-beta cyclical de-rates; cracks unaffected over weeks	Low	–\$2.56
S2 Slow bear / recession	–	Product demand falls; cracks –30% in 2027–28. Milder than Base – Bear because it's transitory and 2026 is largely banked	High	–\$11.80
S3 Rapid rate shock	–	Higher discount rate and HY coupons	Low	–\$1.94
S4 Slow rate grind	–	Sticky inflation lifts opex 3% and the discount rate	Med	–\$5.56
S5 Soft-landing cuts	+	Steady demand supports cracks; lower discount rate	Low	+\$2.15
S6 Recession-driven cuts	–	Demand recession compresses cracks 25%; cuts only partly offset	High	–\$8.06
S7a Credit liquidity shock	–	HY issuer de-rates; no maturity before 2030	Low	–\$2.13
S7b Slow default cycle	–	Weaker diesel demand plus wider spreads	Med	–\$3.60
S8 Stagflation	+	Supply-driven product inflation widens cracks faster than opex (2022 analogue)	Med	+\$6.09
S9a Dollar spike	–	US product exports less competitive	Low	–\$2.79
S9b Dollar slide	+	Better export margins	Low	+\$2.79
S10 Melt-up	+	Beta to a broad rally	Low	+\$1.07
S11 Energy supply shock	+	Tighter global product markets; coastal US refiners capture the crack (the current regime)	High	+\$13.96
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: NYH 3-2-1 stays above ~\$45 through Q1 2027 with Gulf export flows still impaired, or PBF shows mid-cycle-quality capture (GRM above \$14/bbl at cracks near \$30), or the stock falls toward the \$40s while cracks hold. **Downgrades if:** n/a; already Sell. The Sell would strengthen on a Q3/Q4 unplanned outage or a fast crack collapse after a Red Sea ceasefire.

Watch items

- **W1:** Q3 2026 GRM ex special items vs the ~\$27/bbl H2 base — above \$30 favors bull, below \$24 bear — Q3 release — 2026-10-29 — *Model: realized_price*
- **W2:** Q3 throughput within the 900–960k bpd guide, with no unplanned outage — Q3 release — 2026-10-29 — *Model: volume_growth*
- **W3:** NYH 3-2-1 monthly average below \$35 by March 2027 (normalization) or above \$45 (persistence) — EIA spot data / macro log — Q1 2027 — *Model: realized_price*
- **W4:** Capital allocation once net cash: buyback resumption vs. growth capex — Q3/Q4 releases — *Model: none*

Sources

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