S&P Global
Market Intelligence

Delek US Holdings, Inc.

NYSE:DK

Earnings Call

Friday, November 6, 2026 4:00 PM GMT

CALL PARTICIPANTS 2

PRESENTATION 3

QUESTION AND ANSWER 6

Call Participants

EXECUTIVES

Avigal Soreq
President, CEO & Director

Mohit Bhardwaj
Executive VP of New Energy, Strategy & Investor Relations

Robert Wright
Executive VP & CFO

ANALYSTS

Alexa Petrick
Goldman Sachs Group, Inc., Research Division

Jason Daniel Gabelman
TD Cowen, Research Division

John Holliday Abbott
Wolfe Research, LLC

John Macalister Royall
Piper Sandler & Co., Research Division

Joseph Gregory Laetsch
Morgan Stanley, Research Division

Manav Gupta
UBS Investment Bank, Research Division

Matthew Robert Lovseth Blair
TPH Research

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the Delek US Holdings Third Quarter 2026 Earnings Call. [Operator Instructions] I will now hand the conference over to Robert Wright, EVP and CFO. Robert, please go ahead.

Robert Wright
Executive VP & CFO

Thank you, and good morning, everyone. We appreciate you joining us today. Participants joining me on today's call will include Avigal Soreq, President and CEO; Mohit Bhardwaj, EVP, Strategy and Investor Relations; as well as other members of our management team. Today's earnings release and management call presentation material can be found on the Investor Relations section of the Delek U.S. website.

Before we get started, I want to remind everyone that our comments today may include forward-looking statements, reflecting management's current expectations and assumptions. These statements involve risks and uncertainties, and actual results may differ materially from those discussed today.

For additional information regarding the factors that could cause actual results to differ, please refer to our filings with the Securities and Exchange Commission. Except as required by applicable law, we do not undertake any obligation to update these forward-looking statements. I will now turn the call over to Avigal for opening remarks. Avigal?

Avigal Soreq
President, CEO & Director

Thank you, Robert. Good morning, and thank you for joining us today. Third quarter was a landmark quarter for us. Given our performance, we finished the quarter in a strong financial position. We are taking incremental steps in Q4 to advance our financial transformation. Our transformation has been made possible by our strong operation and our surgical execution to capture the market opportunities.

Our operations play an essential role in the communities we serve by providing reliable fuel supply that support everyday needs and economic activities. We take great pride in being committed community partner. Highlights in the third quarter includes: one, we continue to successfully navigate the volatility in the crude and product markets caused by the events in Middle East and Eastern Europe. Second, we made further progress in increasing our free cash flow profile and have increased our EOP improvement guidance to at least $250 million.

And third, we have also maintained our disciplined and balanced approach to capital allocation through balance sheet improvement, dividend increase and strong buybacks. As I've mentioned in the past, maintaining discipline is critically important during periods of strong margins. We maintain prudent approach reflected in our disciplined capital deployment, focused on creating sustainable long-term shareholder value.

As I mentioned during our last earnings call, the events in the Middle East and Eastern Europe have created many ripple effects in the markets. We continue to see elevated freight rates that impact crack spread and crude differentials. In the current environment, we believe that we have a key advantage through access to pipeline delivered inland crude, limited exposure to elevated freight cost, high distillate yield and most importantly, the ability to respond quickly to changes in the market conditions. This advantage are critical to maintaining operational flexibility and delivering strong performance.

Now I will cover some of our third quarter highlights and strategic initiatives in detail. Starting with refining. Our refining system operated reliably with all 4 refineries running well. Big Spring has shown strong operating performance since its turnaround. It's exceeding its value creation target of improved reliability, higher crude flexibility, improvement in overall product yield and higher octane and blending capabilities. I'm very pleased with this improvement, and I'm confident that the Big Spring team will

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

further improve this important asset. With no planned turnaround for the remainder of the year, our refining system is well positioned to capture the continued strength in crack spread.

Moving to EOP, enterprise optimization plan continue to drive significant value. We are again increasing our EOP target to at least $250 million on an annual run rate basis. During the third quarter of 2026, we estimate approximately $60 million of EOP contribution to our P&L. We have come a long way from our initial target of $100 million of annual free cash flow improvement. And I'm proud of the continuous improvement culture that we have created.

Our sum of the parts initiative also continued to progress with raising strength of our midstream business. DKL today raised its 2026 EBITDA guidance to $530 million to $560 million. DKL is also on target to add an additional $60 million in EBITDA in 2027 from its organic growth projects on a run rate basis. This is in addition to the $15 million that we have realized in 2026. DKL has completed the construction of the first sour compressor station and AGI well and is in the process of commissioning the facility. The sour gas solution will provide DKL the ability to fully capitalize on its growth opportunity in the Delaware Basin and maintain its best-in-class EBITDA growth and yield.

On a pro forma basis, we continue to expect DKL third-party annual adjusted EBITDA to exceed 80%. This level of economic separation is a cornerstone of our sum of the parts strategy and continues to bring us closer to our deconsolidation goal. DKL is on the right path, and we continue to work hard to write the next chapter in its growth story.

As I mentioned last quarter, we are pursuing a proactive strategy to manage our obligation under the RFS. The SRE provision of the RFS serves the important purpose of mitigating the impact felt on small refineries from the RFS burden. We have felt this burden in the past and are pleased to have received all 4 small refinery exemptions for 2025 period. This will allow us to reduce our 2025 RVO burden and expect to receive approximately $425 million in proceeds in the fourth quarter.

We expect the EPA to continue to provide a relief to small refineries for the year 2026 and beyond. We believe the current administration, Senate, Congress and EPA realize the importance of SREs, not only for the refineries which qualify under the program, but also to the local communities they serve.

The final piece of our strategy is being shareholder-friendly and having a strong balance sheet. During the quarter, we paid approximately $16 million in dividend and $50 million in buyback. Our strong balance sheet, improved reliability, EOP and confident in our outlook continue to support disciplined approach to capital allocation to continuing dividend and buyback. We remain committed to balanced and disciplined capital allocation strategy and are dedicated to rewarding our shareholders.

In this regard, we have increased our quarterly dividend by approximately 18% to $0.30 per share. And after buying back $50 million worth of our shares in Q3, we expect to do approximately $100 million in shares buyback between now and the end of the year. In closing, thank you to our team for the hard work and dedication. I'm immensely proud of the progress Delek has made, and I look forward to building on this momentum for the remainder of the year and beyond. Now I will turn the call over to Robert, who will provide additional color on the quarter.

Robert Wright
Executive VP & CFO

Thank you, Avigal. For the third quarter, Delek reported net income of approximately $1.13 billion or $18.22 per share with EBITDA of approximately $1.64 billion. On an adjusted basis, net income came in at approximately $843 million or $13.55 per share, with adjusted EBITDA of approximately $1.28 billion.

Turning to our investor presentation. On Slide 4, we show the breakdown of adjusted EBITDA and adjusted EPS for the quarter. Excluding the 50% RVO adjustment and the impact of small refinery exemptions or SREs, granted during the quarter, adjusted EBITDA was approximately $1.04 billion and adjusted EPS was approximately $10.53 per share.

On Slide 5, we walk through the bridge in adjusted EBITDA from the second quarter to the third quarter on the same basis, excluding the 50% RVO adjustment and the impacts of SREs. Quarter-over-quarter

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

performance was led by stronger refining margins and higher capture rates. Supply and Marketing margin was approximately $37 million in the quarter, with wholesale marketing contributing $36.7 million, driven by continued success of our EOP efforts and strong market environment. Asphalt was a loss of $4.6 million, fully offset by a $4.6 million profit from our supply business.

Our Logistics segment continues to deliver strong results, posting approximately $143 million in adjusted EBITDA for the third quarter as momentum continued across our crude, gas and water offerings. Let's move to Slide 6 for a review of cash flow. Cash flow from operations was $567 million for the quarter. This reflects net income adjusted for noncash items, offset by a net working capital outflow of approximately $809 million. Excluding working capital, operating cash flow for the quarter was approximately $1.38 billion.

As to the working capital outflow, the majority of this was related to SRE receivables of approximately $425 million, and we expect these proceeds to come in the fourth quarter. The remainder of the impact is split between timing-related items of roughly $200 million, which we expect to normalize in the coming quarters and roughly $160 million, which is tied to other financing-related items.

Investing activities were a use of $117 million for the quarter. This includes capital expenditures of approximately $111 million with $55 million associated with DKL. Of that $55 million, $48 million of that went to growth projects at DKL and the remainder supported scheduled maintenance and regulatory spending across our system, ensuring our ability to run safely and reliably in the current macro environment.

Financing activities provided approximately $256 million of net cash during the quarter. Inflows were approximately $415 million of net proceeds from our 0 coupon convertible notes offering and approximately $220 million of net proceeds from the DKL equity offering. These were partially offset by $247 million of DKL revolver payments, $50 million of share repurchases, $16 million in dividend payments and approximately $22 million in DKL distribution payments to public unitholders. In addition, as Avigal mentioned, we are pleased to announce we're increasing our dividend to $0.30 per share and are expecting to spend approximately $100 million on buybacks in the fourth quarter.

Slide 18 breaks out our net debt position between Delek and Delek Logistics. On a stand-alone basis, excluding Delek Logistics, Delek's net debt has improved $224 million versus the second quarter and has moved to a net cash position of approximately $22 million.

Now turning to Slide 19 and our outlook for the fourth quarter. Our total throughput guidance is as follows: Tyler, 75,000 to 80,000 barrels per day; El Dorado, 67,000 to 72,000 barrels per day; Big Spring, 68,000 to 73,000 barrels per day; and Krotz Springs, 78,000 to 83,000 barrels per day. Taken together, this implies a total system throughput target of 288,000 to 308,000 barrels per day for the fourth quarter. In addition to the throughput guidance for the fourth quarter of 2026, we expect operating expenses to be between $225 million and $235 million; G&A between $50 million and $55 million and D&A to be between $115 million and $125 million. As committed last quarter, we are also breaking out our interest expense between Delek and Delek Logistics. We expect total net interest expense between $52 million and $67 million, with DK contributing between $12 million and $17 million and DKL contributing between $40 million and $50 million. As shown on Slide 8, on a run rate basis post the term loan payout, we expect interest expense on a DK stand-alone basis to be around $10 million. With that, we will now open the call for questions.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Doug Leggate with Wolfe Research. Doug, your line is open. Please go ahead.

John Holliday Abbott
Wolfe Research, LLC

This is John Abbott on for Doug Leggate. Our first question is on RINs. Can you provide any update on legacy RINs, the status of the court case? And any visibility on expectations you have for RINs for the remainder of the current administration EPA?

Avigal Soreq
President, CEO & Director

Absolutely, John, and our regards to Doug. So I will answer small refinery exemption in a broader context, and I will get into the cases just a little bit. So we need to remember, SREs are disproportionate economic hub. That's the essence of the law, right? And we need to make it clear that it's not a Delek issue. It's between -- we've seen that in August 31 that it's big companies, small companies, it's 40 refineries around the nation. It's maintaining fuel supply, maintaining jobs in rural areas, and it's very important.

And obviously, we have seen very important litigation happening, the Chevron deference, the DC Circuit, the Supreme Court, which the bottom line that you need -- you probably understand that, but you need to remember that, that reduced the EPA discretionary going forward. So that's something that is very, very important. Around the question, a bit more specific of the cases we have, what the slang says, zombie RINs.

We need to remember -- I want to make one statement that everyone needs to remember that relief and eligibility are not discretionary. They are coming together. And we believe that we have a very, very strong case. We gave guidance about that in the past in terms of how much we believe in it. And we are very optimistic about it. And even in any calculation of our valuation, this is not showing up at all.

So there is a huge upside here for investor. You can see today that we are not related to the SREs, but we are rewarding investors with the increase in dividend by 18% and obviously do a very significant buyback in Q3 and Q4. Do you want to add anything? Okay. Thank you, John.

John Holliday Abbott
Wolfe Research, LLC

Appreciate it. And then for our follow-up question here, it's really on use of cash. So if we look at your free cash flow for 4Q, it looks like it could be significant, and it's not even included in your deleveraging guidance. and 2027 could be significant as well. So the question is, what do you do with the cash? Is DKL restructuring even a consideration given the value gap you perceive?

Avigal Soreq
President, CEO & Director

Yes. So let's start with what we are not going to do. We are not going to be not disciplined. As you can see that we stay very disciplined to our capital guidance. We ran the course. We improved our balance sheet. We increased dividend. We did a significant buyback. We are -- among our peers, actually, you can see the numbers better than I can see. We are a leading peer in terms of return to investors.

It's now close to 10% of our market cap, and there is a tremendous amount of value. I think that by every map that I've seen, we are probably the cheapest refinery in the U.S. and maybe even beyond that. So we are very cheap. So what we are going to do is going to stick to what we said we're going to do. We're going to stick to a strong dividend through the cycle. We're going to stick to a balance sheet and the buyback balanced approach between them, and that's the focus we have.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

It's very -- we are in a bipolar industry, and it's very easy to get confused on those time and make investment that doesn't make sense on a downturn. So we're going to stay disciplined and going to stick to the capital allocation we have. Mohit, please go ahead.

Mohit Bhardwaj
Executive VP of New Energy, Strategy & Investor Relations

Yes. John, I just want to add what Avigal is talking about. The transformation that this company has had in terms of what our free cash flow generating power is, and you're talking in terms of fourth quarter 2026 and 2027. But even on a mid-cycle basis, the transformation is completely different versus where we were in the past. We expect to generate $700 million to $800 of mid-cycle free cash flow.

And on a 10% free cash flow yield, that is a triple-digit stock price. So as Avigal just mentioned that we are the cheapest refining stock. Our multiple is the lowest. And we are not going to be holding excess cash on our balance sheet and our capital allocation strategy is pretty straightforward.

Operator

Your next question comes from the line of Alexa Brno with Goldman Sachs. Alexa, your line is open. Please go ahead.

Alexa Petrick
Goldman Sachs Group, Inc., Research Division

We wanted to just dig a little deeper on the last question around capital allocation and free cash flow. Can you just talk a little bit -- the buybacks this quarter were notable as well as the commentary for 4Q. As we think about '27, balance sheet in a very strong place, SRE/RIN monetization. Any color on how we can think about that buyback number on a run rate basis in '27, or what the approach is there?

Avigal Soreq
President, CEO & Director

Yes. First of all, Alexa, thank you so much for joining our call. And as I said, we're going to stay disciplined, and we are not going to do something that's going to regret on a bid cycle. That's my commitment to you and the rest of the market. Obviously, that's the first time this quarter that we are giving guidance for buyback going forward. I think the markets need to see this as a positive change.

Obviously, 2027 is still ahead of us. We are still putting all our ducks in a row. So you need to stay tuned for that. But as Mohit just said, a very important comment, we don't have any strategy to hold any excess cash on our balance sheet just for having that cash. We want to reward investors. We want to make sure that we have a strong balance sheet, and we have a very good buyback program among our peers, and we are very proud of that. Mohit, do you want to chime in?

Mohit Bhardwaj
Executive VP of New Energy, Strategy & Investor Relations

Yes. Alexa, from a balance sheet standpoint, as we have highlighted in our materials, we have done most of our work, very little debt, if any, left on our balance sheet apart from the convert. And our interest expense on a go-forward basis on a DK stand-alone basis is going to be sub-$10 million on a quarterly run rate. That is around $10 million of interest expense on a go-forward basis.

So a lot of the stuff that we have, we will be rewarding our shareholders. That is the commitment that we have had, and we don't want to hold any excess cash on our balance sheet. But as you said, 2027, we still have to see how the year plays out, and we'll be rewarding our shareholders. That's a commitment that we have given in the past.

Alexa Petrick
Goldman Sachs Group, Inc., Research Division

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Appreciate the color. And then just a follow-up. Captures have improved this year. When we just look at that improvement, can you walk us through how much you would attribute to structural changes you've made in the system? And then how much has that been a function of some of the macro backdrop?

Avigal Soreq
President, CEO & Director

Yes. So I'm so happy that you asked that question. That's a very important aspect in our structural change that we did in the company. And I would say the first reasoning for that is obviously EOP, enterprise optimization plan. And you have seen that Alexa, that our EOP is a lifestyle. It's someone that everyone in this company is taking pride of. It's someone that everyone in this company wants to be -- to excel. And there is no limit to our imagination around that and how far we can take it.

We are very happy about the progress we have done. We have more than 90 projects we are running around that. We are working on that on a daily, weekly basis. And I'm very proud. There is a small project, a big project and everyone is taking part of that. I think we raised the EOP target of a free cash flow basis mid-cycle like 6x -- 7x, sorry. And now it's at least $250 million. That's an extraordinary achievement.

And I'm proud -- it's not me, it's the organization that I'm proud of and every one of our employees that take part that's important initiative. I just want to say to take the opportunity to say thank you for all of you because Sean and our operation together with OP is a very key foundation of this company and something that we really -- our employees are leading, and we're really excelling in. So that's the essence of it.

Mohit Bhardwaj
Executive VP of New Energy, Strategy & Investor Relations

Yes. And Alexa, that's the structural change is why we have so much confidence in our mid-cycle free cash flow, and that's why we want to talk about that.

Operator

Your next question comes from the line of Matthew Blair with TPH Research. Matthew, your line is open. Please go ahead.

Matthew Robert Lovseth Blair
TPH Research

Avigal and Robert, congrats on the strong results. Maybe that's a good place to start. Your marketing and supply profitability took a big step up overall in the third quarter, very strong on an absolute basis. Could you talk about the moving parts in the third quarter that pushed that up? And what are you seeing so far in the fourth quarter?

Avigal Soreq
President, CEO & Director

Yes. We -- Matt, first of all, thank you for joining the call. We really appreciate you. We usually don't give guidance on DKTS because there is a lot of market dynamics into that. But I will give you something. Some of the structural change that we have seen through are going into DKTS. That's the reason that over time, when you canceling the noise, you see an elevated number over there.

Ismael and his team are leading a very good tight organization, very focused, very value chain optimization throughout the value chain, and I'm very proud of the progress they are doing. And they are not standing still. Every day, I hear more ideas, more projects, more excitement around that. So while I'm not going to give you what you want in terms of guidance for DKTS, I'm telling you that I'm very happy and we see a structural progress around it.

Mohit Bhardwaj
Executive VP of New Energy, Strategy & Investor Relations

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Yes. Matthew, as Avigal just mentioned, and I think Robert had it in his script that we had supply and marketing contributed around $37 million for the quarter. A lot of the contribution, as Robert mentioned, came from wholesale. Wholesale is where our focus has been, as we have said in previous calls. And we are very excited about the progress that we are making in that segment. There is some still market volatility in the segment. That's why we don't really provide any guidance. But we are very happy with the way the things are proceeding as far as supply and marketing and what we call our DKTS line item is.

Matthew Robert Lovseth Blair
TPH Research

Sounds good. And then in the third quarter, you recorded an SRE benefit of it looks like $335 million when RINs were above $2 a gallon. Slide 17 implies that full SREs should be worth about $760 million to Delek at $1.50 RIN prices. So at $2, let's just around that to $1 billion or so. So I guess, could you just help us understand why the SRE benefit wasn't larger in the third quarter? And ultimately, would you agree that, that $2 a gallon, the economic benefit to full SREs should be worth around $1 billion or so?

Avigal Soreq
President, CEO & Director

Yes, absolutely. So Robert will give you the highlights of the accounting reconciliation of the SREs. But I'm very happy about the progress we have done around that. That's a good opportunity to thank Misty for the strong relationship we have in DC across DC and how important it is and how important that everyone understands that we, as a nation, we are lacking refineries.

And the first objective here is to make sure that we are maintaining the one we have, especially in the rural area that the fuel supply is so important, especially around the area that we are working in other 40 refineries in the nation, and that's something that it's in the essence of the law, and we are committed to keep working towards and to make sure that we have good jobs to our employees and supplying those communities. Robert, why don't you take it from here?

Robert Wright
Executive VP & CFO

Yes, sure. Thanks, Avigal. Yes, I think, Matt, if you look at it based on current RIN prices and the small refinery exemptions that we were granted, we will recognize a total accounting benefit of around $750 million to $800 million, and this is really tied to 3 main things. First, as outlined in this morning's release, and as you know, we recognized a realized gain from SREs of $335 million.

Second, within the release, we also disclosed that we recognized an unrealized gain of approximately $274 million which represents the mark-to-market valuation increase of those RINs since 2025. And then beyond those 2 disclosed items, we expect another $150 million to $200 million to come in through the next several quarters as we apply the excess RINs against future compliance obligations. So all in, it's a $750 million to $800 million mark at current prices.

Operator

Your next question comes from Manav Gupta with UBS. Manav, your line is open. Please go ahead.

Manav Gupta
UBS Investment Bank, Research Division

Guys, hopefully, you won't mind. I wanted to pick your brain a little bit more on the diesel market. You have a higher leverage to diesel than many of your peers. I just wanted to understand, based on your crystal ball, what's your outlook for the diesel margins for the next 6 to 12 months?

Avigal Soreq
President, CEO & Director

Yes. Thank you for that question, Manav. Your questions are always great. We -- big picture, you see that we have 3 events in the world that we are seeing, the Middle East one, the Eastern Europe and obviously,

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

China. The China event is because you saw VLCC from the Gulf Coast to China is around $24, $25 today, maybe this morning, $24 for VL, which is like 5x more expensive versus what it used to be a year ago. So all in, we have like 5 million to 7 million barrels outside the market with tanker prices.

Some of the changes that we have seen are going to be more structural. We have seen even on the lead time of new VLCCs and it looks like 3 to 4 years, and there is a lot of booking of new VLCC in 2029, et cetera. So we might see some lingering effect on that very important of transportation cost because of everything we see, mainly the ship to ship.

Bottom line on the diesel, you have seen the inventories are low in the U.S. It's probably across the globe. And it's something that's going to take a second to fix. We've seen the economy so far, the Main Street is doing pretty well. You see the job number this morning and the GDP is growing. So that's -- all of that requires diesel and a lot of diesel. We are up to the winter. So that's another tailwind for diesel prices. It's more to come, but I don't see other than those 3 events that I don't have a crystal ball, something material change in the outlook of diesel.

Mohit Bhardwaj
Executive VP of New Energy, Strategy & Investor Relations

Yes, Manav, I'll add a few more things to this. So obviously, as you rightly pointed out, we have one of the highest jet and distillate yield across the peers. So it's something very important for us. And equally important for us to make sure that the communities that we serve like in Arkansas, the airports that we serve from a jet fuel standpoint and from a diesel standpoint, they are satisfied as well.

As far as the cracks are concerned, as Avigal talked about, the freight rates are going to put a floor on overall crack, including the distillate crack, which is holding the entire crack together. And the second point to understand is to meet the European grade diesel, you also have to blend some jet fuel from -- in the exports that happen out of the U.S. is going to create some shortening for jet fuel as well. And as a result, people like us, we have to make sure that our total liquid volume yield is sufficient so that we can supply locally as well as globally. So overall, we still are extremely positive about the outlook for distillate and jet cracks.

Manav Gupta
UBS Investment Bank, Research Division

Perfect. My quick follow-up here is, as you now point out like your capture rates, and thank you for that. The 3 of the 4 refineries are mid-60 to approaching 70% and probably there's further scope of improvement. El Dorado is somewhere still in the low 50s. And I'm trying to understand what are the next steps to get this first towards mid-50s and then hopefully towards 60% or so, if you could talk a little bit about that.

Avigal Soreq
President, CEO & Director

Yes, absolutely. So we have disclosed in the past that we have improved El Dorado $2 last year. And as part of EOP, you remember, we spoke about a few times that El Dorado is the jet and other initiatives that improved that by around $2. You have seen those numbers in El Dorado improving. I think there is even a slide that Mohit provided that showed the capture rate is going up.

And down the road, we see additional improvement in El Dorado. In many areas, we are obviously going to disclose it in the future. But the DKTS, the supply and marketing are working extremely hard to make sure that every barrel land and every gallon lands where it need to land with the right quality. and with the right tight operations that we have seen. El Dorado, as you can see very easily has improved the capture rate significantly, and we see another outlook to improve it even more by $1 or even more down the road. So stay tuned. You will see and hear more about it.

Mohit Bhardwaj
Executive VP of New Energy, Strategy & Investor Relations

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Yes, Manav, just to add to what Avigal said, $30 million is what we have highlighted today and dollar per barrel improvement, just like Avigal said, a very strong team at El Dorado, and I think we are very excited to capture this improvement as well. Manav, are you? You sound a little...

Operator

Your next question comes from the line of Jason Gabelman with TD Cowen. Jason, your line is open. Please go ahead.

Jason Daniel Gabelman
TD Cowen, Research Division

I wanted to go back to the small refinery exemptions, if I could, and I appreciate the disclosure on the $425 million that you're going to monetize in 4Q, but it's still not really clear what the current RIN length is that you have. And I think there's a fear that maybe you're selling these RINs now, but are still going to have a short that you're hoping will be covered by future SREs. And your peers have been very straightforward that they are current on their RINs. I think it would be helpful to the market and clear a lot of confusion up if you could kind of provide some color as to what your actual RIN length is after you've received these SREs.

Avigal Soreq
President, CEO & Director

Yes, absolutely. So Jason, just to make it very clear, our strategy all along is stay in compliance. We stay in compliance all along, and that's going to be the strategy going forward. Obviously, we are managing -- proactively managing the position. We are happy about the way we manage the position. We have a clear view about the RIN market, and I will let Mohit finish the answer.

Mohit Bhardwaj
Executive VP of New Energy, Strategy & Investor Relations

Yes. Thanks, Avigal. So Jason, thank you for the question, and you and I have talked about this at length multiple times. So if you look at from a cash proceeds standpoint, first, let's just clear that part out. So $50 million or so were included in the third quarter and $425 million will be coming in the fourth quarter. Now based upon all of our SRE grants, what we have to do is to manage a few things.

The first is the cash need for the business. So we just talked about -- you've actually not talked about on the call, but we highlighted that we will be taking out our term loan. So part of the proceeds will go for that. Then we also have to manage our overall compliance. So part of the RINs will be used for that. And then we also have to think about how the company is doing from a flat price risk standpoint for the RINs and also the overall tax situations.

Based upon that, we decide what RINs to monetize and how many of them we need to keep for compliance. And that is going to be our strategy, as Avigal focused on, that we always want to stay in compliance, and that is also going to be our strategy on a go-forward basis.

Jason Daniel Gabelman
TD Cowen, Research Division

Okay. So if I'm hearing you correctly, you're compliant but not necessarily current and then also the $425 million is going to be after taxes?

Mohit Bhardwaj
Executive VP of New Energy, Strategy & Investor Relations

Yes. I think, Jason, we can take that offline. But for us, as we have highlighted multiple times that we don't disclose our RIN buying strategy, but we also want to make sure that we always stay in compliance with our obligations. So that is our strategy, and that will continue on a go-forward basis.

Jason Daniel Gabelman
TD Cowen, Research Division

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Okay. I'll leave that there. My follow-up is just there was some reporting out there that Delek was receiving Defense Production Act proceeds to expand refining capacity. So just wondering if you could touch on that point at all if you're receiving those proceeds and if you're pursuing projects to expand your capacity?

Avigal Soreq
President, CEO & Director

Yes, absolutely. So we are still talking to the administration. But to make it very, very clear, Tyler is going to stay at 75,000 barrels a day of crude. There is no material CapEx that we need to disclose, and we are talking about shifting between different kind of products, and that's it. There is not much more to it.

We're obviously very thankful for the administration for helping rural refineries in the U.S. We are obviously very thankful for the administration of understanding that small jobs in those areas are extremely important and the affordability is extremely important. But from a materiality standpoint, it doesn't meet our threshold at all.

Operator

Your next question comes from the line of Joseph Laetsch with Morgan Stanley. Joe, your line is open. Please go ahead.

Joseph Gregory Laetsch
Morgan Stanley, Research Division

I wanted to go back to the refining macro a bit. So you talked about the diesel cracks, but could you also just give us an update on the latest dynamics that you're seeing in Group 3 from both a demand perspective, margin, crude cost standpoint as well?

Avigal Soreq
President, CEO & Director

Yes. So Group 3, as we look at it yesterday, working to our expectation. It's actually doing slightly better versus typical November. The high crack spread is obviously part of that equation, and we see that as a positive for us. So that's also going well to where we are. So that's on the tactical side.

On the more strategic side, we obviously see the Western Gateway project coming down the road, which will support tremendously Group 3. So that's very helpful for our position. We see that line as very good news for Delek because it's going to clear most of the group, and we are not going to pay for the movement of those barrels. So it's 2 wins for us. So on the tactical side, the group is working well at these 10 seconds. And on the strategic side, we've seen more and more barrels from the group going west to compensate closure of refineries in the West Coast. So both tactically and strategically, we're in a good spot.

Mohit Bhardwaj
Executive VP of New Energy, Strategy & Investor Relations

Yes. And just to add, Joe, we also have the Magellan pipeline taking additional barrels into Denver. And we have seen some of those wells start to move, and there's scope for that pipeline to expand as well. And we have seen group clearing out very well. And as Avigal mentioned, we are pleasantly surprised by the lack of seasonality that we have seen in the past.

Joseph Gregory Laetsch
Morgan Stanley, Research Division

Great. That's helpful. And then I just wanted to go back to the balance sheet, if I could. So from a capital structure standpoint, after the term loan is paid off, the only debt left, I think, will be the converts. How do you think about the optimal capital structure for Delek? Is it a net cash position? And then you also mentioned no desire to hold excess cash on the balance sheet. Could you just remind us what the right level of cash balance is for the company to hold?

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Avigal Soreq
President, CEO & Director

Yes, absolutely. So let's start with the bottom line, right? The $10 million DKL interest rate in an increasing interest rate environment is an extraordinary achievement. and we are very happy about where we are. And as we said all along, our strategy is to reward investors by increasing buyback that we did today from $50 million to $100 million on Q4 and by doing dividend through the cycle that we are very confident on that, right?

What got us here is a few things, one of them and the most important on the structural thing is the enterprise optimization plan that we are very proud, and you can see the capture rate improving. So that's where we are. As we said, we didn't give a clear cash number on that we're going to hold on the balance sheet, but we have no desire to hold any excess cash, and we want to make sure that we are the cheapest.

We've seen a few transactions lately in our space. And our best acquisition is ourselves because we are the cheapest refinery in the U.S., and that's what we did this quarter. And we maintain very disciplined to our capital allocation strategy, and I will leave it to that.

Operator

Your next question comes from the line of John Royall with Piper Sandler. John, your line is open. Please go ahead.

John Macalister Royall
Piper Sandler & Co., Research Division

So my first question is on the sum of the parts unlock. You're currently at 58%, I think, DKL ownership. That's been coming down pretty steadily. Can you talk about your path to hitting below 50% at this point? Do you have a time frame in mind for when you may get there?

Avigal Soreq
President, CEO & Director

Yes. First of all, I'm surprised that, that question hit the conference so late. So thank you for bringing it up. I'm really proud of what we did this quarter. I'm very proud of the primary that Robert and Mohit led, very nice, and I'm very happy about that. But let's take a step back and look at the progress we have done, right?

We've done 2 very good acquisitions on the right timing before water became in the spotlight. We have done another -- we built another gas plant. We said -- I said today on the call, and I'm saying that again that we might need to expand the capacity that we have in Libby even more to serve our producers and our customers. And we actually developed a very clear, clean strategy of providing crude, gas and water in the most prolific area of the Permian Basin, and that strategy is working very well for us.

You can see if you are looking on each one of our assets and you are extremely smart and do the math, and you can see that our intrinsic value, John, is the number, it needs to have 9 handle on the DKL unit. We are not there just yet. But with one of the best units in the space in terms of return and growth, I think it's actually the best one, but let's call it one of the best one.

We are very happy about our company. We are very happy about the trajectory. Mark and his leadership team in DKL are doing a very good job, and we made it bigger. And it's going to be one way. One, for the right value, it's always -- we are always open to sell it. For the right value, we are open to sell assets like we have done in the past, we did a bolt-on acquisition that was very good for us. And we did also tax-efficient buyback between DK and DKL. As you can see, we steadily smartly, not -- we didn't rush reduce our interest from 79% to 58% and stay tuned, more to come.

John Macalister Royall
Piper Sandler & Co., Research Division

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Great. And then my follow-up is just on turnarounds. I know you're done with your '26 program at this point. I'm not sure if you're going to answer this, but do you have any early view on what '27 could look like from a turnaround perspective?

Avigal Soreq
President, CEO & Director

Yes. So we are still putting our ducks in a row for '27. Usually, our cycle is to give guidance about it in the next earnings call, and we'll stick to our cadence.

Operator

We have reached the end of our Q&A session. I will now turn the call back to Avigal Soreq, CEO, for closing remarks.

Avigal Soreq
President, CEO & Director

Thank you. Thank you for my colleagues around this table and the management team. I want to thank our Board of Directors in trusting us and mostly and to our employees that make this company as good as we all can. Thank you for our investors to sticking to our story and believing in us, and we'll talk again next quarter. Thank you.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2026 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2026 S&P Global Market Intelligence.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.