

**S&P Global**  
Market Intelligence

# **Delek US Holdings, Inc.**

NYSE:DK

## *Earnings Call*

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# Call Participants

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**Mark Hobbs**

*Executive VP & CFO*

**Mohit Bhardwaj**

*Executive Vice President of  
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**Robert Wright**

*Executive Vice President*

## ANALYSTS

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*Goldman Sachs Group, Inc.,  
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**Douglas George Blyth Leggate**

*Wolfe Research, LLC*

**Jason Daniel Gabelman**

*TD Cowen, Research Division*

**Joseph Gregory Laetsch**

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**Matthew Robert Lovseth Blair**

*Tudor, Pickering, Holt & Co.  
Securities, LLC, Research Division*

# Presentation

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## Operator

Hello, everyone. Thank you for joining us, and welcome to the Delek US First Quarter 2026 Earnings Call. [Operator Instructions]

I will now hand the conference over to Robert Wright, EVP. Robert, please go ahead.

## Robert Wright

*Executive Vice President*

Good morning, and welcome to the Delek US First Quarter Earnings Conference Call. Participants joining me on today's call will include Avigal Soreq, President and CEO; Mark Hobbs; EVP, Chief Financial Officer; as well as other members of our management team. Today's presentation material can be found on the Investor Relations section of the Delek US website.

Slide 2 contains our safe harbor statement regarding forward-looking information. As a reminder, this conference call will contain forward-looking information as defined under the federal securities laws, including statements regarding guidance and future business outlook. Any forward-looking statements made during today's call involve risks and uncertainties that may cause actual results to differ materially from today's comments.

Factors that could cause actual results to differ are included in our SEC filings. The company assumes no obligation to update any 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. I'm extremely pleased with our strong execution in the first quarter. The quarter is a testament to our raising capability as demonstrated by: one, disciplined and successful execution of Big Spring turnaround; second, continued progress on increasing our free cash flow profile through restructuring of our intermediation agreement and continued success of EOP; third, successful navigation of challenging macro events such as winter storm Fern and more recently, events in Iran. The events in Iran have created many ripple effects in the markets, resulting in around 10 million barrels of crude production and approximately 5 million barrels per day of refining capacity remaining offline.

This has created an environment of elevated crude and product prices, dislocation between physical and paper grades, steep backwardation and wide ranges of crude differentials. We believe the structural product shortage created in this event will continue to impact the market well after the conflict comes to an end.

In the meantime, under the current environment, we believe the refining companies, which will have the biggest advantage are the ones which have direct access to crude, high distillate yield, high jet and most importantly, ability to quickly respond to changing conditions. We believe because of our access to multiple grades of domestic crude, high distillate and jet yield and access to both Gulf and Mid-Continent product markets put us in a prime position to navigate the challenges and take advantage of the opportunities created by the ongoing disruption.

Now I will cover some of our first quarter highlights and strategic initiatives in detail. Starting with the planned turnaround in Big Spring. Big Spring successfully completed its planned turnaround. This work was executed safely, on budget, on time and refinery is running at full capacity. The primary focus of the turnaround has been to improve Big Spring reliability, cost structure and long-term margin capture.

Post the turnaround, we expect improved reliability, crude slate optimization, improvement in overall product yields and finally, higher-octane and blending capabilities. With no further planned turnaround, we

have the highest spending quarter behind us. Our system is well positioned to capture the strong crack spread environment and respond to increasing demand as we move into the summer driving season.

Moving on to EOP next. Enterprise optimization plan continued to drive significant value. We are once again raising our enterprise optimization plan target to at least \$220 million on an annual run rate basis. During the first quarter of 2026, we estimate approximately \$60 million of EOP contribution to our P&L. We are looking at ways to further advance the program and create another meaningful step change to our free cash flow profile. We'll provide more details on this in the future.

Our sum-of-the-parts initiatives continue to advance with rising strength of our midstream business. DKL today reaffirmed its 2026 EBITDA guidance of \$520 million to \$560 million. DKL is currently seeing meaningful tailwinds in the business, and we are working hard to capture these opportunities in a prudent fashion. DKL is taking another meaningful step in completing its industry-leading comprehensive sour gas solution. It has completed the drilling of its first acid gas injection well.

The comprehensive gathering treatment, processing and acid gas injection solution will provide DKL the ability to fully capitalize on the growth opportunities in the Delaware basin and maintain its best-in-class EBITDA growth and yield.

In 2026, on a pro forma basis, with a continued growth in third-party cash flow, we expect DKL third-party EBITDA to exceed 80%. Achieving this level of economic separation has been a cornerstone of our sum-of-the-parts strategy, and it continues to bring us closer to our deconsolidation goal. We are in the process of taking additional steps to ensure the strength of DKL third-party midstream service are fully reflected in DKL share price and DKL unit price.

As mentioned last quarter, we are pursuing a proactive strategy to manage our obligation under the RFS. SRE provision of the RFS serves the important purpose of mitigating the impact felt on small refineries from the RFS burden. We expect EPA to continue to provide relief for 2025 to refineries after clearing the backlog of pending petitions since 2019.

We also remain actively involved in our efforts to get full value for our 2019 to 2022 RINs for which we were provided invalid relief. Finally, we believe that 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 dividends. Our strong balance sheet, improved reliability, EOP and confident in our outlook continue to support a disciplined approach to capital allocation through continued dividend and buybacks. We remain committed to a balanced and disciplined capital allocation strategy and look forward to continuing to reward our shareholders.

In closing, thank you for our team for their hard work and dedication during the first quarter of 2026. I'm proud of the progress Delek has made and look forward to continue the progress towards the remaining of the year.

Now I will turn the call over to Mark, who will provide additional color on the quarter.

**Mark Hobbs**

*Executive VP & CFO*

Thank you, Avigal. For the first quarter, Delek had a net loss of \$201 million or \$3.34 per share. Adjusted net income was approximately \$5 million or \$0.08 per share and adjusted EBITDA was approximately \$212 million. On Slide 4, we showed the breakout of adjusted EBITDA and adjusted EPS for the first quarter. Excluding SREs, adjusted EBITDA and adjusted EPS were approximately \$129 million and a loss of \$0.98 per share, respectively. This removes the impact of our RVO exemption recognition for the first quarter of \$82 million.

On Slide 5, the breakdown of adjusted EBITDA, excluding SREs from the fourth quarter of 2025 to the first quarter shows that there were 2 main drivers for the decrease in EBITDA. The drivers were primarily in

the Refining segment, where adjusted EBITDA declined due to the Big Spring turnaround and the impacts of timing in our Supply and Marketing segment, which will reverse over time. Both impacts were partially offset by the increase in refining margins that we experienced in March after seasonally weak margins in January and February.

Supply and Marketing was a loss of approximately \$61 million in the quarter. Of that amount, wholesale marketing had a loss of \$27.1 million. Asphalt contributed a loss of \$12.1 million, with the remaining loss coming from supply. In the Logistics segment, we delivered our best first quarter to date, generating approximately \$132 million of adjusted EBITDA, which includes an approximate \$10 million negative impact from winter storm Fern.

Moving to Slide 18 to discuss cash flow. Cash flow provided by operations was \$461 million in the quarter. This includes our net income for the period, adjusted for noncash items and a net inflow related to changes in working capital. Investing activities was a use of \$190 million. Financing activities was a use of \$273 million, which includes payments on financing agreements and other activities, approximately \$16 million in dividend payments and approximately \$22 million in DKL distribution payments to public unitholders.

On Slide 19, we outline our first quarter capital spending with \$181 million invested at Delek on a stand-alone basis, the majority of which was related to the plant-wide Big Spring turnaround. With no additional turnarounds or major capital projects planned for the remainder of the year, Big Spring and the broader system are well positioned to capture stronger margins and meet seasonal demand during the driving season.

We also invested \$50 million in Delek Logistics, of which approximately \$42 million was for growth projects. Our net debt position is broken out between Delek and Delek Logistics on Slide 20. Excluding Delek Logistics, our Delek stand-alone net debt remained largely in line with year-end 2025.

Moving now to Slide 21, where we cover second quarter outlook items. Our throughput guidance for the second quarter is 72,000 to 77,000 barrels per day for Tyler, 78,000 to 83,000 barrels per day at El Dorado, Big Spring will run 65,000 to 70,000 barrels per day, and lastly, Krotz Springs will run 78,000 to 83,000 barrels per day. Our implied system throughput target for the second quarter is in the 293,000 to 313,000 barrels per day range.

In addition to the throughput guidance, for the second quarter of 2026, we expect operating expenses to be between \$215 million and \$225 million. G&A to be between \$47 million and \$52 million. D&A is expected to be between \$105 million and \$115 million and net interest expense to be between \$80 million and \$90 million.

With that, we will now open the call for questions.

## Question and Answer

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### Operator

[Operator Instructions]

Your first question comes from the line from Alexa Petrick from Goldman Sachs.

### Alexa Petrick

*Goldman Sachs Group, Inc., Research Division*

With the Big Spring turnaround complete, how should we be thinking about your capital allocation priorities? Recognized this quarter had higher spend, but as we look to the rest of the year, how are you thinking about buybacks and then use of SRE cash inflow?

### Avigal Soreq

*President, CEO & Director*

Yes. Alexa, thank you for everything. So listen, first of all, we are very, very proud of our performance of capital allocation during 2025. We outperformed around 4% versus our peers. We gave more capital back to investors around 4% more than the peer group. So it's a very good outcome in our mind. And we have a very clear, crisp capital allocation program. First, we want to have a balanced approach between buyback and balance sheet that we obviously achieved. Second, we want to maintain dividend through the cycle that we obviously maintain. And third, we want to make it very, very clear. We see a lot of value in our share price and more to come. We have a very good quarter ahead of us, and we are very optimistic.

### Alexa Petrick

*Goldman Sachs Group, Inc., Research Division*

Okay. That's helpful. And then our follow-up is just on 2Q. There's definitely a lot of moving pieces in the macro right now. So can you just talk about how we should think about captures and some of these different dynamics?

### Avigal Soreq

*President, CEO & Director*

Yes. Yes. Alexa, in your permission, I will take a step back and talk about the macro in more detail just a little bit because there is a lot of moving parts, and it's a different macro environment versus regular macro environment. So I will start with the facts, and then we'll take it from there.

So I think it's pretty obvious that we've seen the Strait of Hormuz closed close to -- around close to 2 months now. It's a continued period of time. Then I think the consensus in the market that we are seeing around [ 10 ] maybe a bit more of crude off-line and around 5 million barrels of refined capacity remain off-line. SPR offsets the crude portion just a little bit, but not to a very meaningful way. That's on the fact side.

On the effect side, what is really happening on the markets, obviously, we see elevated crude and product market. We see dislocation between physical and paper, which is very meaningful for some. We see steep backwardation that obviously is impacting the capture rate for everyone almost and we see a wide swing in crude differentials and especially around Brent and TI. So what does it really mean? On the product side, we start with that, we believe that the product market will outlast the event, and they will see a lingering effect on the crack spread.

We also see that the risk premium after the event between Brent and TI is going to be different. The risk element of Brent putting itself into the market now and probably going to outlast the event as well. So that's the second point. So what does it really mean? So that actually means higher call on U.S. shale that present a lower premium risk versus Brent and that's something that we'll see more coming into effect. And being a bit more specific on the Delek side, obviously, we have a big operation on the midstream side that is very correlated to what's happening in the Permian at any given point. Obviously, we have

direct access to crude, which make us coming to the market and making changes as needed very quickly. And third, we have access to product market, both on the Gulf and on the group, which give us flexibility around that.

I want to finish with a very important point. We have a very good distillate and jet yield and part of that is due to the EOP we've done last year. I think you remember a slide I put together -- we put together, not I, that present a great project that the El Dorado team conduct to basically do more jet with 0 cost capital, and that's paying us very nice dividends today. Mohit, do you want to finish with something?

**Mohit Bhardwaj**

*Executive Vice President of Strategy, Business Development & Investor Relations*

Yes. Alexa, just one thing to add. I think in this current market environment, as Avigal rightly pointed out, there will be winners and losers in terms of capture rates. And you have to think about people who have access to barrels who are closer to the well and who have very high distillate and jet yield, they are going to be the winners in this environment, and we are very well positioned to capture the opportunities in front of us.

**Operator**

Your next question comes from the line of Manav Gupta from UBS.

**Manav Gupta**

*UBS Investment Bank, Research Division*

I'm also going to ask a little bit of a macro question here. So my question, sir, here is, when we look at 2Q, Delek is very well positioned. There's no doubt about it. But I'm also trying to understand from the perspective of what you said, I think 2Q will be a story of haves and have nots. Haves are people like Delek who have the crude and have nots are people who may have the best refining system in the world but have no crude. And from my perspective, obviously, Delek is a winner, but do you also think the situation we are in generally, U.S. refining as such is a winner because you have the crude, you have the demand, you're not really dependent on Strait of Hormuz. So we have this dynamic playing out where relative to global peers, U.S. refiners and Delek can actually show a lot of outperformance. If you can talk a little bit about that?

**Avigal Soreq**

*President, CEO & Director*

Yes, absolutely, Manav, a very smart question. Mohit and I and Mark and the team speak about it all the time. And Mohit has a lot of tons of energy around the topic. So I'll let Mohit chime in.

**Mohit Bhardwaj**

*Executive Vice President of Strategy, Business Development & Investor Relations*

Yes. Thanks, Avigal. And Manav, thanks for all the good work you're doing. You're absolutely right. U.S. refining will have an advantage because U.S. is one of the largest crude producers in the world. U.S. has the most flexible refining system in the world. And most importantly, you see U.S. natural gas prices are very low. So from an OpEx standpoint, we are also at an advantage. But you rightly pointed out, the biggest winners will be the guys who have access to barrels even within the U.S. and who have very high distillate and jet yield and which is why we like our position versus anybody else in the U.S. refining system right now.

**Manav Gupta**

*UBS Investment Bank, Research Division*

Perfect. My second quick follow-up, Mohit or Avigal, is that when we look at the price of the RIN, that's going up, and that does impact the price of gasoline. In my opinion, there is a higher probability of SREs in 2026 that there was even in '25 and '24. If you don't issue SREs, you can cause the price of RIN to get to a point where gasoline can go to \$5. Can you talk about those dynamics? Why the profitability of SREs is even higher now than what it was in '25 and '24?

**Avigal Soreq***President, CEO & Director*

Yes, absolutely. And I will take -- Manav, with your permission, I will take a step back and give you a wider answer about the SREs. So giving -- SRE is a way bigger topic. SRE is not a Delek issue. And it's directly impacting close to 4 refineries, and I would say it's impacting around half of our industry, more or less. So it's a very big, big, big deal. And I want to make it very clear. The SRE, the whole point of the law is disproportionate economic harm, disproportionate economic harm. And it's for each asset and each community. It's not related to companies. And the essence of the law is to maintain high paying job to maintain local communities and affordable fuel.

When we are looking at compliant costs of small mid-cap in the last 5 years, it's 85% of the group [indiscernible] that's completely different dynamic. Risking SREs, as you smartly stated, will lead to higher price at the pump. Very clear. It's very clear. And just coupling critical topic of SRE that we just mentioned with [ E15 ] is like putting a square peg in a round hole. So it's very, very obvious and clear. And Mohit, please chime in.

**Mohit Bhardwaj***Executive Vice President of Strategy, Business Development & Investor Relations*

Yes, Manav, again, a very good question. Look, as Avigal rightly pointed out, RFS and RIN issue is an issue about disproportionate economic harm. So we show in our slide deck at \$1.50 a gallon blended RIN price, our 2026 RVO compliance is close to \$750 million. So if you think about that number, so for us, people like us who stay in compliance, it's not like you get SREs as cash. You have to stay in compliance, and then you get the money that you spend on buying RINs back.

So for us, this is not just an issue about how RFS is working. It's only an issue of our disproportionate economic harm. And you rightly pointed out and a lot of market participants are pointing this out that if you don't have 2026 SREs granted, based upon the current renewable volume obligations, you will have a deep deficit in 2027 RIN bank. And as Avigal pointed out, that's going to impact affordability at the pump, which is squarely against this administration's energy dominance agenda. So we definitely want -- or we definitely expect SREs to continue, but that's up to the EPA to decide. But our expectation is in line with the government's agenda, they will be granting these SREs on a go-forward basis.

**Avigal Soreq***President, CEO & Director*

Yes, I think the EPA put a very clear, clean framework together that we have all the capability in the world to follow through. And as Mohit pointed very well, the administration put energy dominance program together that SRE is a very important part of it.

**Operator**

Your next question comes from the line of Matthew Blair from TPH.

**Matthew Robert Lovseth Blair***Tudor, Pickering, Holt & Co. Securities, LLC, Research Division*

Congrats on the strong results. Could you talk about how the Big Spring refinery is running post the turnaround? Are you seeing any operational improvements? And I guess we would have thought -- did the turnaround stretch into the second quarter at all? We would have thought that the Q2 throughput guidance might have been a touch higher. So could you address that?

**Avigal Soreq***President, CEO & Director*

Yes. So the point of the turnaround, which we are very happy about the turnaround was improved reliability to improve crude optimization, higher-octane blending options, margin and cost. We are very happy about what we see. We have a very good team over there, and we are very optimistic about the Big

Spring going forward. And we leave it to that, more to come. We have a very strong guidance and more to come.

**Mohit Bhardwaj**

*Executive Vice President of Strategy, Business Development & Investor Relations*

Yes. Matthew, you rightly pointed out our guidance. But we are -- Big Spring coming out of the turnaround, we are just being a little bit more conservative. And hopefully, things will play out the way we expect them to.

**Matthew Robert Lovseth Blair**

*Tudor, Pickering, Holt & Co. Securities, LLC, Research Division*

Sounds good. And then could you talk about what you're seeing in the end market demand so far in the second quarter, both for gasoline as well as diesel? I guess for jet as well, is there any evidence of demand destruction given the higher price environment? Or does demand still look pretty strong?

**Avigal Soreq**

*President, CEO & Director*

Yes. In all the markets we are operating, we see strong demand. We see decent netbacks, the group dynamics improving as we speak, and that's very positive. We do not see a demand destruction these 10 seconds. And I think that it's -- the demand we see is pretty resilient at this junction. Please, Mohit.

**Mohit Bhardwaj**

*Executive Vice President of Strategy, Business Development & Investor Relations*

Yes. Again, a good question. So if you look at Europe, we've seen some talks around people reducing capacity as far as the airlines are concerned. But the U.S. demand remains very strong. We are seeing there's going to be potentially a very strong summer gasoline driving season. Gasoline remains a big part of the barrel right now. And as people are focused on distillate and jet, we also think gasoline cracks also have a room to move higher.

So we don't see any demand destruction in the U.S. just yet, but I think we do see the outlook for cracks, especially in Q3 to move higher is very evident based upon where things are right now.

**Operator**

Your next question comes from the line of Jason Gabelman from TD Cowen.

**Jason Daniel Gabelman**

*TD Cowen, Research Division*

First, just on, I guess, regional product prices, it's looking right now like Group 3 is still a bit discounted versus the Gulf Coast. Typically, I think you'd see Group 3 already strengthened at this time of year. Can you just talk about your forward outlook for the relative values between those 2 markets? And if you expect normal seasonality to take hold?

**Avigal Soreq**

*President, CEO & Director*

Yes, absolutely, Jason. Thank you for the great question. The way we see a group today is actually stronger coming this morning. We just checked that before the call. So that's positive. Obviously, the group has dynamic of its own. And even if you are putting your long-term view on that, you see the group dynamic in the near and midterm future going to be different. We've just seen 2 pipelines. One is coming second half of the year and the other one coming later on like 3, 4 years down the road, that's going to make move barrels from the group into PADD 4 and PADD 5.

So we are looking at the group also on a very tactic basis as today, but we have the obligation and the duty to and the opportunity to look at the group down the road. And I think the group that we remember versus -- going to be very different versus the group that we're going to see starting second half of this

year and probably even more importantly, when the next line is going to be executing and move the product into PADD 5. So that's a very good dynamic on the short term, midterm and long term to our position.

**Jason Daniel Gabelman**

*TD Cowen, Research Division*

Great. And maybe if I could go back to the small refinery exemptions. Do you have a sense around timing of when you should expect to receive those? And I know you've kind of presented cases where you think you're able to get up to \$400 million -- the full, I guess, amount of exemptions for all your plants. How do you square that with kind of the EPA publishing an expected amount of exemptions will grant the next 2 years, which seems consistent with the past few years.

**Avigal Soreq**

*President, CEO & Director*

Yes. It's a great question. We have a tremendous amount of trust with the EPA. I think the EPA put a very strong strict guidance. The EPA was able to clear a backlog of 2019 to 2022 and we are confident the EPA is going to do what it says it's going to do. It's a very reliable administration in this regard. I'm sure the administration see the correlation between small refinery exemption and the price at the pump, and we'll leave it to that.

**Operator**

Your next question comes from the line of Doug Leggate from Wolfe Research.

**Douglas George Blyth Leggate**

*Wolfe Research, LLC*

Guys, I know that the SREs have been fairly well flogged on the call, but I just want to make sure I understand something. The guidance you've given for -- or not the guidance, but the indication you've given for 2026, what are you assuming for the RIN because it's basically doubled since the beginning of the year. And I'm trying to get a feel for if you -- I can't really -- I don't know what the scenario is where you don't get the RIN or the SRE and the duration at least for the Trump administration. So what would you -- if you were to roll forward the current RIN price into '27 and '28, basically the 4 years, I guess, of that period, the Trump administration, what would your number be?

**Avigal Soreq**

*President, CEO & Director*

Thank you, Doug, and thank you for joining us. It's really important for us. And I will let Mohit stay very close to the topic to take this one.

**Mohit Bhardwaj**

*Executive Vice President of Strategy, Business Development & Investor Relations*

Yes, Doug, as we've talked about in the past, the way EPA is looking at a lot of these issues is trying to have a happy medium. It's a mathematical equation that they have in their minds. So they're looking at SREs, they're looking at the RVO, they're looking at imports, and they're looking at all of these issues together and reallocation as well to come up with a price, which is -- so that affordability at the pump remains.

As far as our 2026 numbers are concerned, so we show that very clearly in our slide based upon our current estimates and \$1.50 a gallon blended D4, D6, D3 RIN price, we should have a \$750 million RVO obligation in 2026.

**Douglas George Blyth Leggate**

*Wolfe Research, LLC*

But just to be clear, the RIN, Mohit, isn't \$1.50, it's \$1.90.

**Mohit Bhardwaj**

*Executive Vice President of Strategy, Business Development & Investor Relations*

Yes. Yes, Doug, you're absolutely right about that.

**Douglas George Blyth Leggate**

*Wolfe Research, LLC*

Yes. And that's what I was confused about your previous answer to when Manav asked the question because -- so what in your mind, then, if you don't mind my follow-up, what would drive -- what would cause the RIN value from the RIN bank standpoint to move back significantly lower from here?

**Mohit Bhardwaj**

*Executive Vice President of Strategy, Business Development & Investor Relations*

Yes. Look, Doug, from our vantage point, based upon the numbers and Jason Gabelman was talking about those numbers in the previous question, you would have a significant 2027 deficit if those are the level of SREs which are granted. So that is one toggle that EPA does have. And that is why I think 2026 SREs are extremely important to manage 2027 RIN bank.

What exactly EPA will do and they're extremely smart, honest people working at the EPA, they will figure it out. But for us, we're just trying to manage our situation and highlight the fact that SREs are an issue by disproportionate economic harm, and we just are trying to manage our position based upon that.

**Operator**

Your final question comes from the line of Joseph Laetsch from Morgan Stanley.

**Joseph Gregory Laetsch**

*Morgan Stanley, Research Division*

So I wanted to start on the EOP program where you've made good progress and increased the target again to over \$220 million. I think that was a sixth raise, if I heard you right. Can you just talk through some of the initiatives to help drive this improvement and how we should think about the potential upside and maybe potential seventh raise from here?

**Avigal Soreq**

*President, CEO & Director*

Yes, absolutely. And thank you for that question. The question I really like because EOP, first and foremost, Joe, and you know that we spoke about it privately in the past, it's all about lifestyle. And when we -- it was really important for us, and we are extremely proud of the ability to push EOP to the entire organization. You see the buy and you see people talking about it in the hallway. It's not a project, it's not a spreadsheet. It's people really think how to make more of what we have. And if I'm going to refinery, I hear it in the -- between the units. If I'm going to the accounting team, I hear them speaking about that. If we are going to commercial, it's across the company.

So it's not just about cost savings, as we said in the past, it's what we make, where we sell and all the value chain that we are owning A to Z. As you can -- as you probably can see very easily, Joe, it's very clear in our financial results. You can see it very, very clearly in El Dorado, in G&A, in the capture rate of the rest of the refinery. So that's very, very obvious that we can all see it. And we are always looking, I said it in my prepared remarks, we are always looking to how to make it better, what else we can do, what -- how else we can improve. And I'm very, very proud of the team here that taking the high road on that and making that part of our DNA.

I want to finish with important comment. If you look in our deck slide in our deck that we prepared, we are seeing around \$600 million to \$700 million on a mid-cycle environment of free cash flow. And that's around 20% to 30% of our current market price. That's a tremendous opportunity. And I want to capture this comment and the comment that I answered Alexa and put those together that we see a tremendous amount of value about where we are. So thank you for that great question.

**Joseph Gregory Laetsch**

*Morgan Stanley, Research Division*

Perfect. That's helpful. And then I wanted to just ask on the sum-of-the-parts side. Can you talk through latest thinking about current deconsolidation, value unlock options from here as well? You've done a good job with bolt-ons and organic growth at DKL. So just any thoughts on the path forward here would be helpful.

**Avigal Soreq**

*President, CEO & Director*

Yes, absolutely. So you're absolutely right. Deconsolidation is our ultimate goal, and we're going to do it on the right price, on the right condition. We see tremendous amount of value in our DKL story pro forma basis, 80% third-party. It's unheard of versus what we used to be. We have done, as you said, 2 very [ big ] acquisitions that we are extremely pleased. We've built a gas plant that we are extremely pleased. We have a very clear, clean strategy of being a premier provider of crude, gas and water in the most prolific area of the Permian Basin. And we have created something here very, very, very beautiful that we are very proud of.

We see that the current value based upon the intrinsic asset in DKL needs to have a 7 handle on this unit. So for the right price, we will reward -- deconsolidate and reward investors going forward. We need to make sure that there's great value creation that was created in the midstream business vis-a-vis the 80% pro forma third party is fully reflected both on the DK share price and unit and DKL unit price. So we're going to do 1 or 4 ways that as we are doing, we are doing 1 or more of 4 ways, keep doing bolt-on acquisition, deconsolidation because people see the value in the DKL unit, right, [ 53 ] consecutive increase in distribution, it's pretty much unheard of and our ability to reward investors.

Second, if a price for the right price, we might be selling assets. For the right price, DKL has the ability to buy on its unit from DK. And we can always sell DKL for the right price. As I mentioned, we see the intrinsic value of [ \$700 ] on the unit price. So we are extremely aggressive and disciplined around this opportunity and more to come.

**Operator**

There are no further questions at this time, and we have reached the end of the Q&A session. I will now turn the call back to Avigal Soreq, CEO, for closing remarks.

**Avigal Soreq**

*President, CEO & Director*

Thank you for everyone who joined the call. Thank you for my colleagues here around the table that did a great job. Thank you for the investors that are sticking with the story and like what we are doing. I want to thank the Board of Directors and most importantly, our great employees that make this company what it is. Thank you.

**Operator**

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

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