



Delek US Holdings, Inc.

Delek CEO Interview: Outlook for Brent-WTI and a Buyer's View on the Permian Hosted by Neil Mehta with Goldman Sachs

Delek US

November 20, 2017

Disclaimers

Forward Looking Statements:

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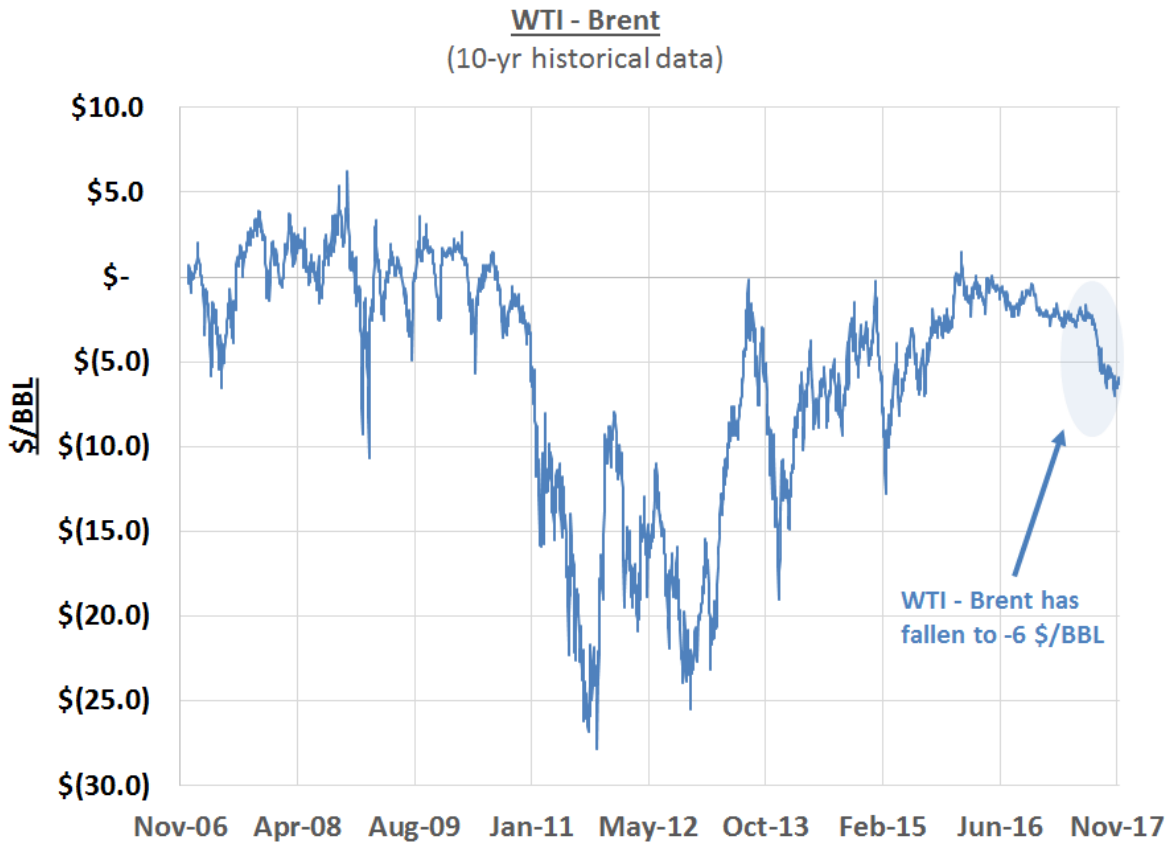
Cushing-Brent Crude Oil Price Differential Trends Improving

How did we get here?

- WTI-Cushing versus Brent began to widen in August 2017
- Global market improvement - OPEC cuts
- Current WTI price supports production in U.S.
- Increased light production from Shale plays



Source: Bloomberg 11/17/17

Crude Oil Location Differentials: Light Sweet

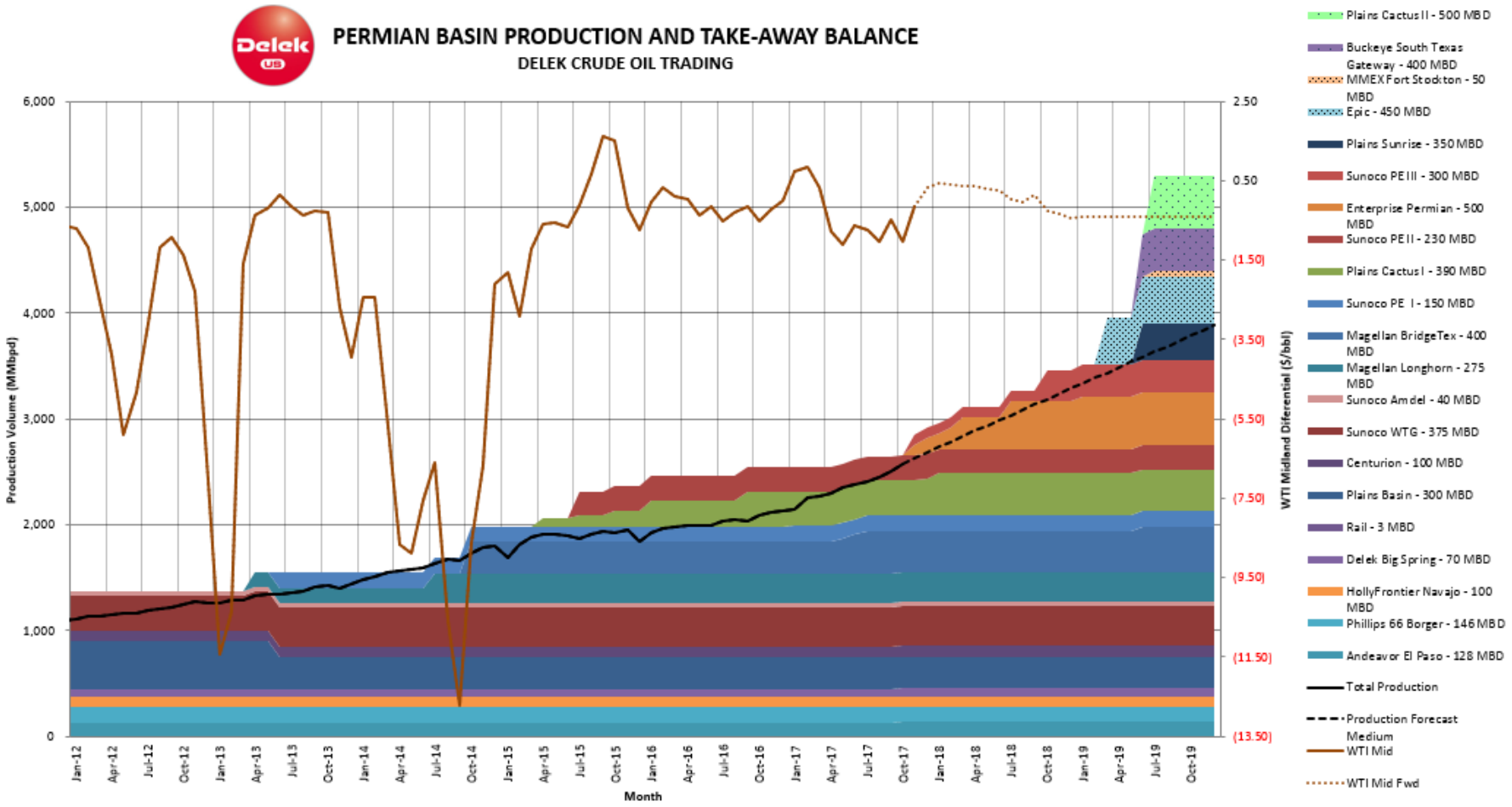
- Light Sweet crude oil differentials
  - Pipelines from Midland are full → Differentials are dictated by pipeline utilization and walk-up shipper rates
  - Short term considerations:
    - Diamond Pipeline – to deliver 200 MBPD domestic sweet from Cushing to Memphis
    - Midland to Sealy – currently inventorying line fill
  - Long term considerations:
    - Domestic light sweet production continues to grow
    - Walk up shipper rates





Source: Bloomberg 11/17/17

Permian Basin Outlook

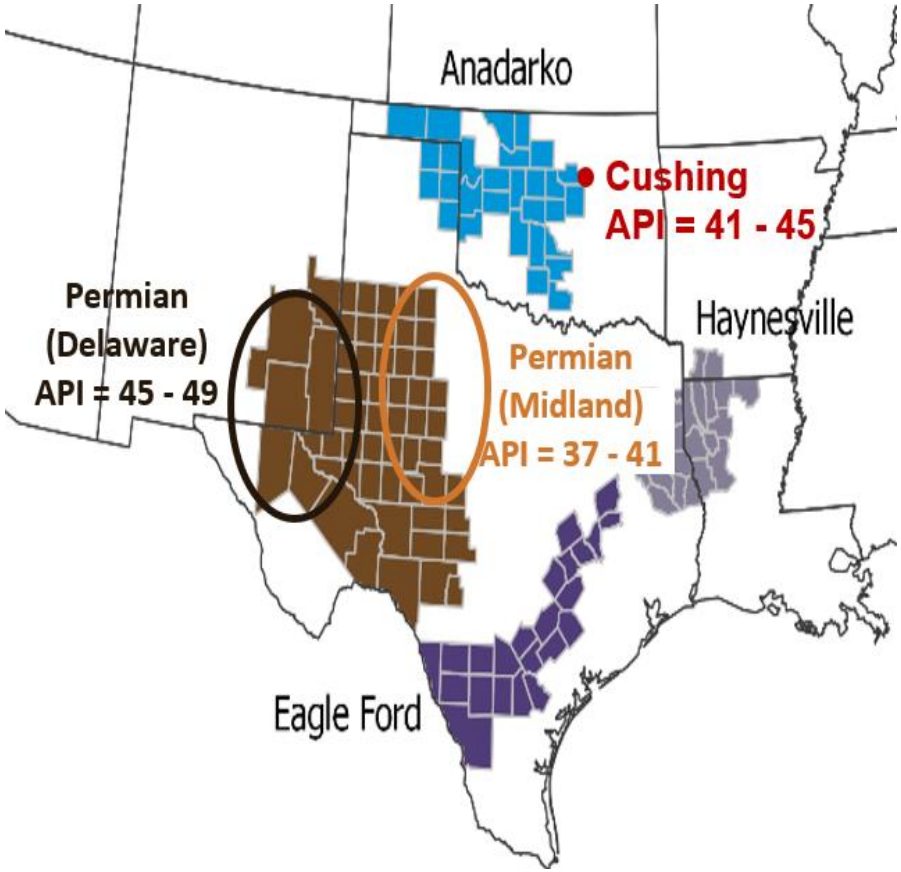


- Outlook assumes production growth in 2017 of 600 kbpd
- Permian pipeline take-away utilization should remain >90% during 2018
- Plains Sunrise Expansion is the only 2019 project currently committed out of announced pipelines

Source: Delek US, company reports.

There is also a Crude Oil Quality Aspect in the Differentials

- Permian production increasing, but lighter in the west; better quality to the east
  - Midland API: 37-41
  - Delaware API: 45-49 (too light)
  - Cushing API: 41-45 (dumbbell crude oil blends)
- Quality Value:
  - Midland Basin > Delaware Basin > Cushing

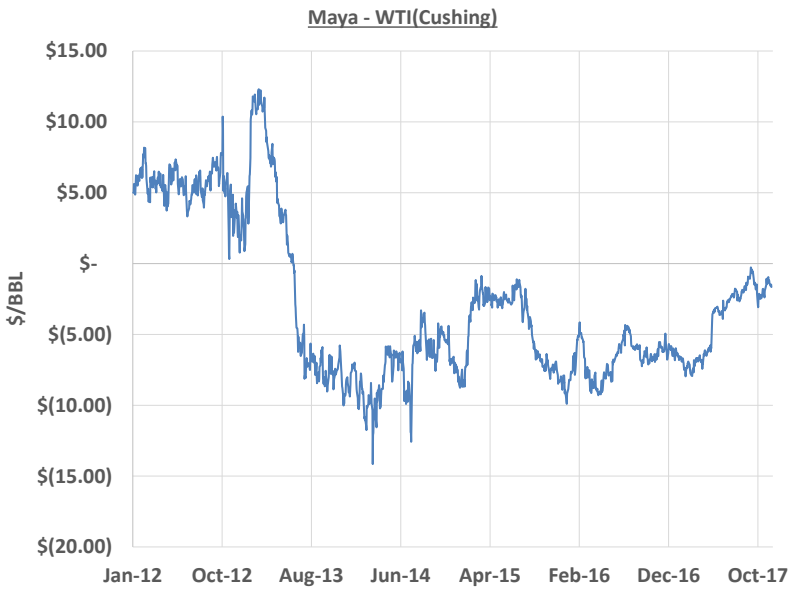


1) Source: EIA

Crude Oil Differentials: Light/Heavy

- Light/Heavy crude oil differential has narrowed during 2017
  - OPEC cuts have primarily been medium sour barrels
  - Heavy sour production declines in Mexico and Venezuela
  - Most US Gulf Coast refineries are configured to run medium/heavy
  - Majority of barrels from the U.S. Shale Revolution are light sweet
- Gulf Coast is import market for heavy crude oil and export market for light sweet crude oil



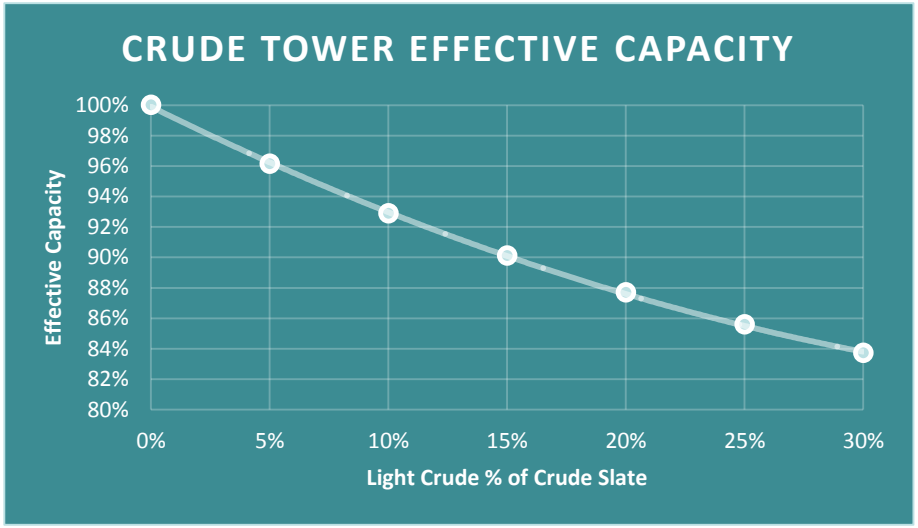


1) Source: Bloomberg Data 11/17/17

Refinery Configuration can Limit Crude Oil Slate Flexibility

Gulf Coast primarily configured to heavy crude oil limiting ability to process lighter barrels

- Heavy crude oil refineries cannot easily digest the increased diesel and lighter content of light crudes like WTI
  - Equipment limits are reached quickly:
    - Crude Tower Diameter
    - Crude Heater \ Heat Exchange
    - LPG & Light Naphtha Handling
  - Significant impact on effective refinery capacity as light crude oil is increased
  - High margin conversion units generally are underutilized without intermediate product purchases
- Capital investment can be significant to overcome bottlenecks



Capacity Utilized as Crude Oil Slate Changes

	100% Heavy	20% Light
Crude Unit	100%	87.7%
Vacuum Unit	100%	79.8%
Delayed Coker	100%	77.7%
Reformer	100%	92.5%
DHT	100%	85.3%
FCCU	100%	81.5%

1) Data based on notional refinery designed to run 100% heavy crude oil in coking configuration and substituting WTI crude oil

Factors Driving Brent-WTI Spread May be Sustainable

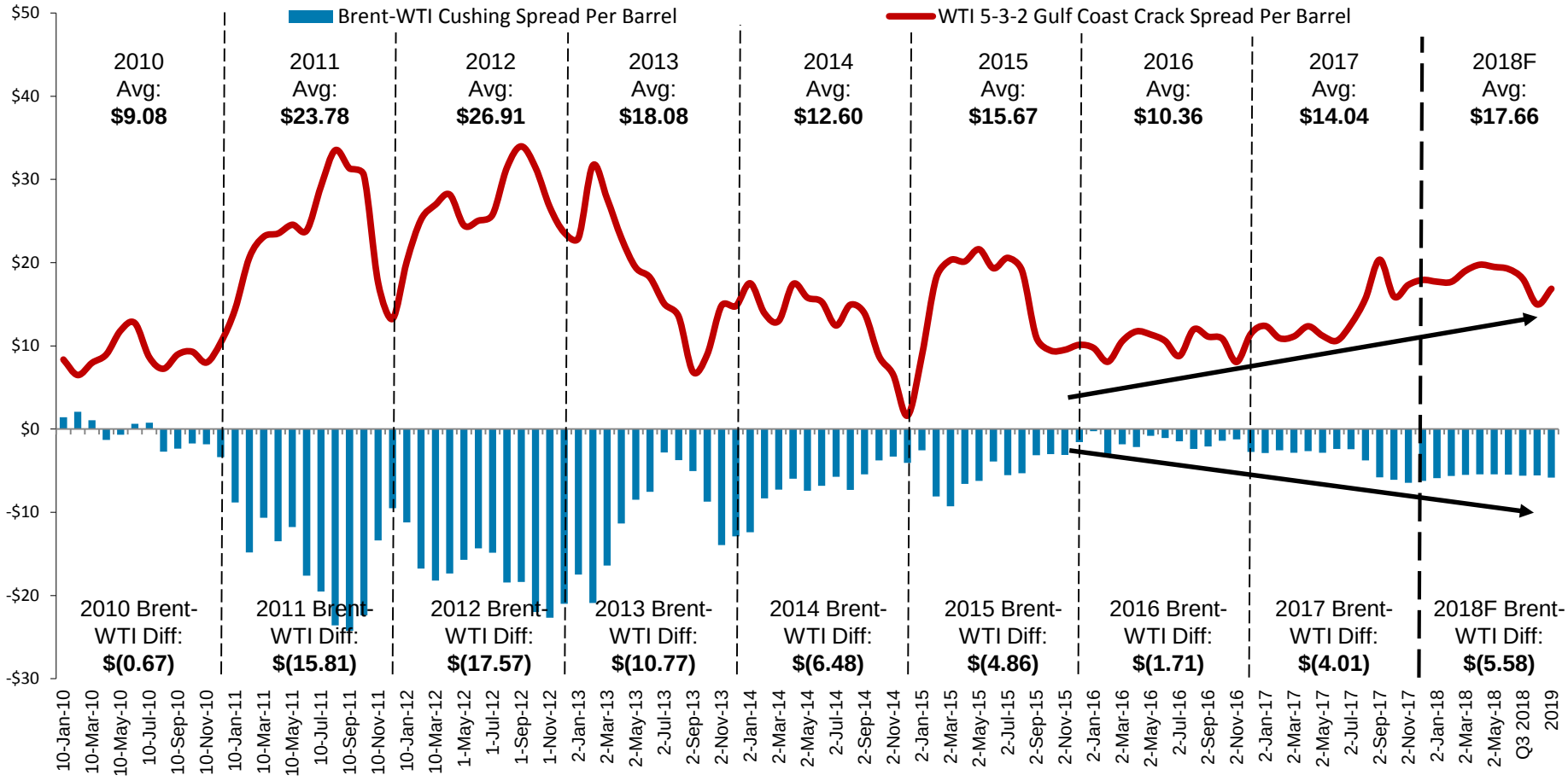
- Location differential
  - Increased light production in U.S.
  - Pipeline utilization increasing which effects transport tariffs and ability to clear the market
- Quality Differential
  - Neat Midland barrel preferred compared to a blended barrel by refiners
  - Production is getting lighter from the Delaware Basin
- Heavy/Light spreads have narrowed or flipped in the current market
  - Most Gulf Coast configured to run heavy crude oil versus light crude oil
  - Rising U.S. production is light; while heavy crude oil production in Mexico and Venezuela has declined
- Domestic light crude oil barrels must clear to the export market as there is limited Gulf Coast ability to process this crude oil type



How is this Market Environment for Delek US?

Crack Spread Cycle Turning Up

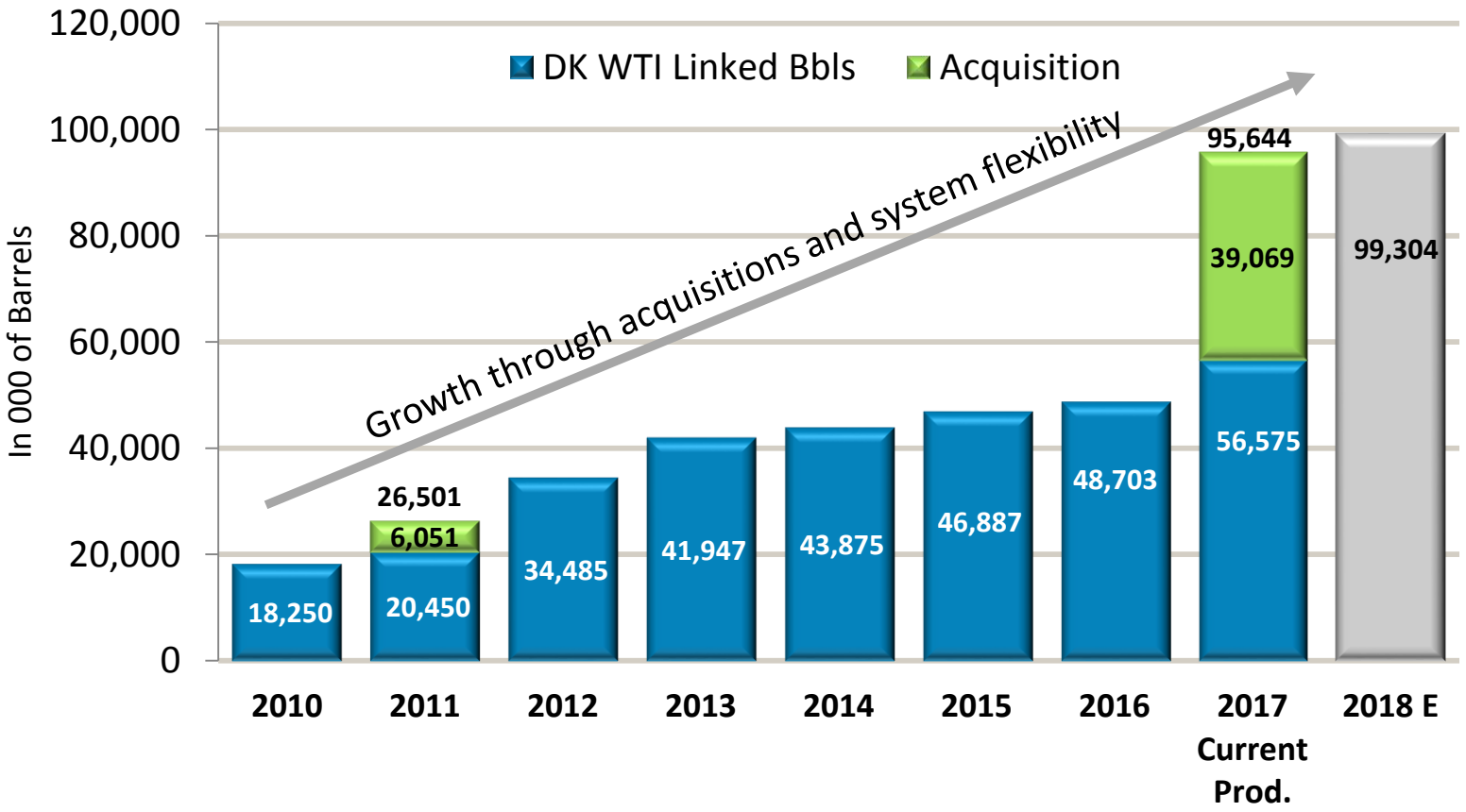
Crack spread at highest since 2015 and expected to continue upward trend; Environment Looks Good



(1) Source: Platts as of November 8, 2017; 5-3-2 crack spread based on HSD. Mitsui Forward Curve as of November 13, 2017
(2) Crack Spreads: (+/-) Contango/Backwardation

Delek US' WTI Linked Crude Oil Supply has Continued to Grow

By 2018 WTI-linked barrels should account for 90% of the crude oil slate; Benefitting from Current Differentials



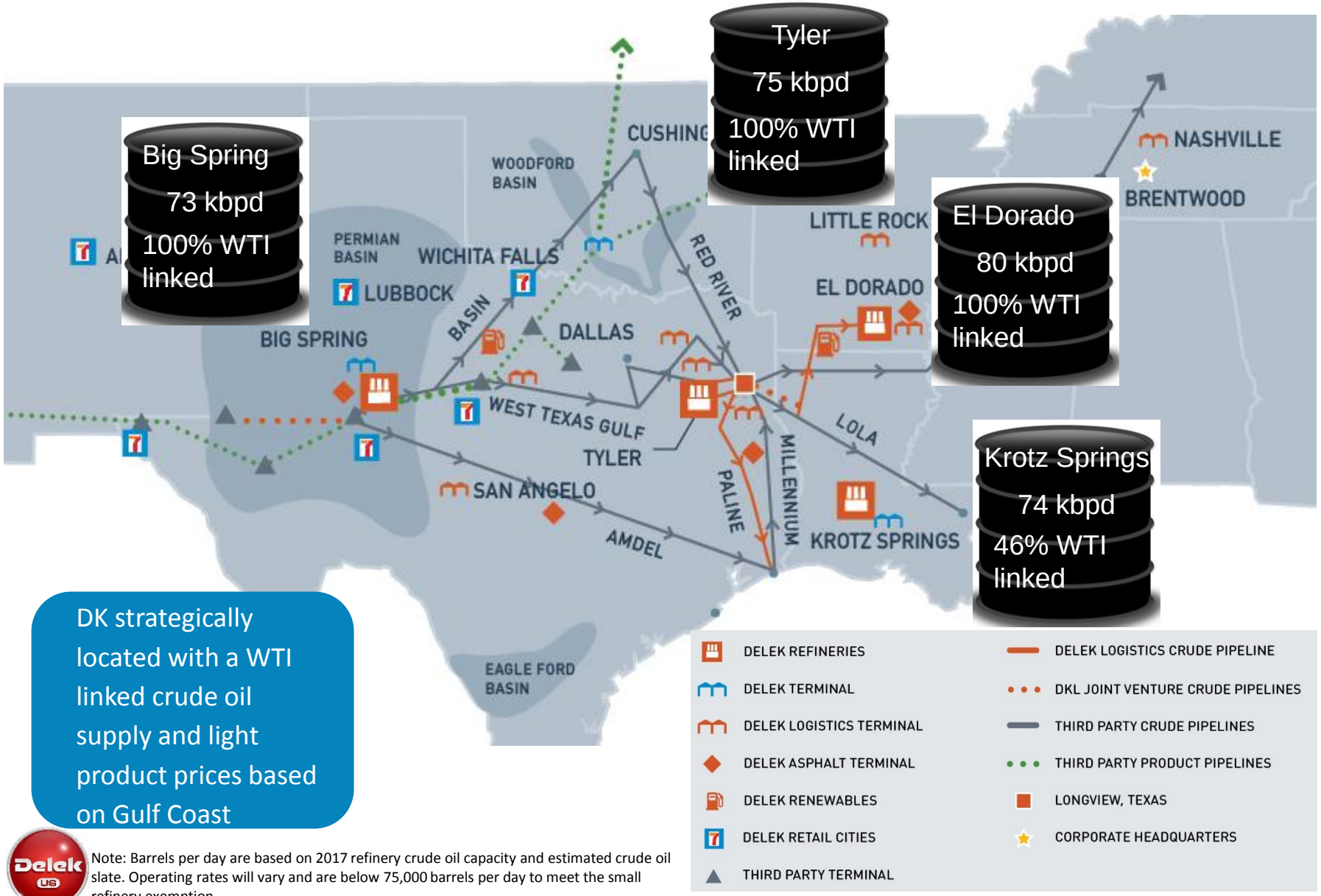
WTI Linked Crude Oil of approximately 272,000 barrels per day/99.3 million barrels per year; $1/bbl change in differential could equate to approximately $99 million of EBITDA in 2018

- Krotz Springs – LLS vs Midland – Ability to increase Midland barrels by 10 kbpd; each $1 increase in differential equates to $3.7 million EBITDA when differential is above $3.50/bbl
- Current differential environment creates significant cash flow potential from refining assets

Note: In 2011 Delek US acquired the El Dorado refinery and owned it for 247 days that year. On July 1, 2017 Delek US acquired Alon USA. 2017 represents the current production configuration on an annualized basis.

Integrated Company with Asset Diversity and Scale

WTI-Linked crude oil supply; Focused on local U.S. crudes and flexibility to source low cost barrel



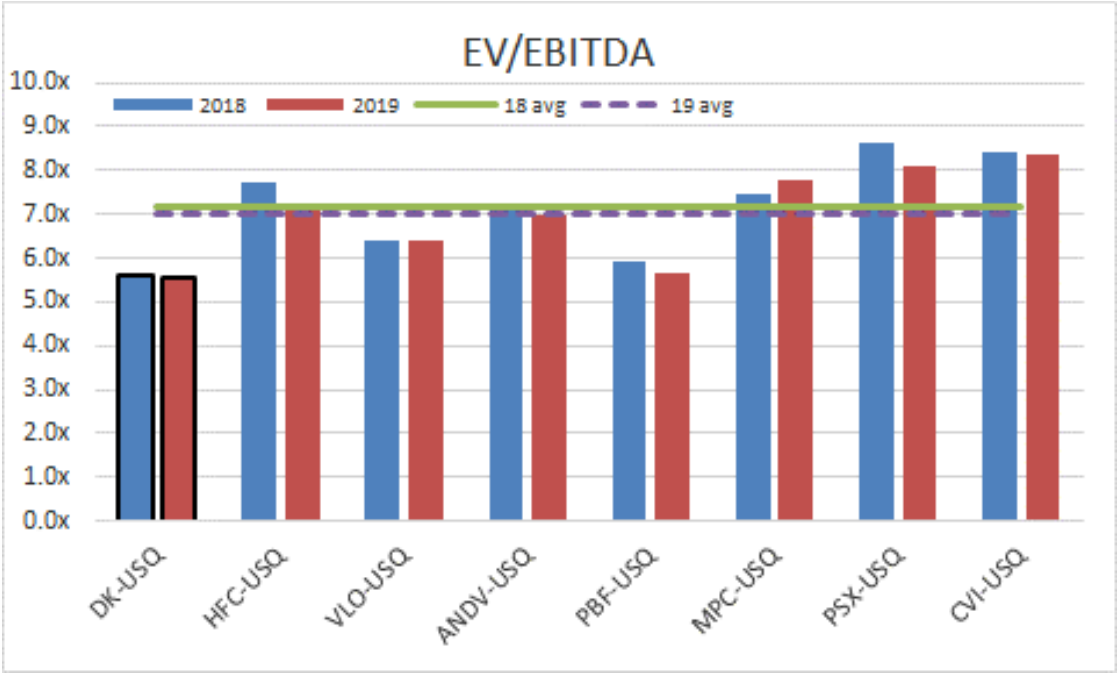
DK strategically located with a WTI linked crude oil supply and light product prices based on Gulf Coast

Note: Barrels per day are based on 2017 refinery crude oil capacity and estimated crude oil slate. Operating rates will vary and are below 75,000 barrels per day to meet the small refinery exemption.

Delek US Initiatives Underway Expected to Create Sustainable Value

Current Valuation Below Peer EV to EBITDA

- Strong balance sheet with $832 million of cash supports company initiatives
- Backlog of drop down inventory of approximately $78 million of logistics EBITDA that could create cash flow to Delek US
- Initiatives underway to create value:
  - Self help projects to improve profitability
  - Alky project at Krotz Springs
  - Synergies capture on target from ALJ acquisition
- Well positioned to return value to our shareholders



(1) Based on NASDAQ IR Insights/Factset as of 11/17/17.



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