




# Delek US Holdings, Inc.

## Second Quarter 2020 Earnings Call

Delek US

August 5, 2020

# Disclaimers

**Forward Looking Statements:**

Delek US Holdings, Inc. ("Delek US") and Delek Logistics Partners, LP ("Delek Logistics"; and collectively with Delek US, "we" or "our") are traded on the New York Stock Exchange in the United States under the symbols "DK" and "DKL", respectively. These slides and any accompanying oral and written presentations contain forward-looking statements within the meaning of federal securities laws that are based upon current expectations and involve a number of risks and uncertainties. Statements concerning current estimates, expectations and projections about future results, performance, prospects, opportunities, plans, actions and events and other statements, concerns, or matters that are not historical facts are "forward-looking statements," as that term is defined under the federal securities laws.

These forward-looking statements include, but are not limited to, the statements regarding the following: financial and operating guidance for future and uncompleted financial periods; financial strength and flexibility; potential for and projections of growth; return of cash to shareholders, stock repurchases and the payment of dividends, including the amount and timing thereof; crude oil throughput; crude oil market trends, including production, quality, pricing, demand, imports, exports and transportation costs; light production from shale plays and Permian growth; the performance of our joint venture investments, including Red River and Wink to Webster, and the benefits, flexibility, returns and EBITDA therefrom; the potential for, and estimates of cost savings and other benefits from, acquisitions, divestitures, dropdowns and financing activities; divestiture of non-core assets and matters pertaining thereto; the attainment of certain regulatory benefits; long-term value creation from capital allocation; execution of strategic initiatives and the benefits therefrom, including cash flow stability from business model transition; and access to crude oil and the benefits therefrom. Words such as "may," "will," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "appears," "projects" and similar expressions, as well as statements in future tense, identify forward-looking statements.

Investors are cautioned that the following important factors, among others, may affect these forward-looking statements: uncertainty related to timing and amount of value returned to shareholders; risks and uncertainties with respect to the quantities and costs of crude oil we are able to obtain and the price of the refined petroleum products we ultimately sell, including uncertainties regarding future decisions by OPEC regarding production and pricing disputes between OPEC members and Russia; uncertainty relating to the impact of the COVID-19 outbreak on the demand for crude oil, refined products and transportation and storage services; risks related to Delek US' exposure to Permian Basin crude oil, such as supply, pricing, production and transportation capacity; gains and losses from derivative instruments; management's ability to execute its strategy of growth through acquisitions and the transactional risks associated with acquisitions and dispositions; acquired assets may suffer a diminishment in fair value as a result of which we may need to record a write-down or impairment in carrying value of the asset; changes in the scope, costs, and/or timing of capital and maintenance projects; the ability of the Wink to Webster joint venture to construct the long-haul pipeline; the ability of the Red River joint venture to expand the Red River pipeline; the ability to grow the Big Spring Gathering System; operating hazards inherent in transporting, storing and processing crude oil and intermediate and finished petroleum products; our competitive position and the effects of competition; the projected growth of the industries in which we operate; general economic and business conditions affecting the geographic areas in which we operate; and other risks contained in Delek US' and Delek Logistics' filings with the United States Securities and Exchange Commission.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not be accurate indications of the times at, or by which such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management's good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Neither Delek US nor Delek Logistics undertakes any obligation to update or revise any such forward-looking statements.

**Non-GAAP Disclosures:**

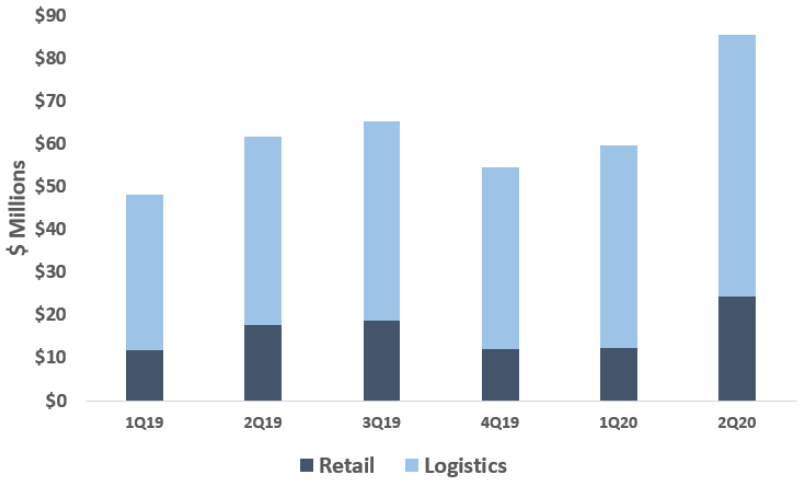
Delek US and Delek Logistics believe that the presentation of adjusted net income, adjusted earnings per share ("adjusted EPS"), earnings before interest, taxes, depreciation and amortization ("EBITDA") and adjusted EBITDA provide useful information to investors in assessing their financial condition, results of operations and cash flow their business is generating. Adjusted net income, adjusted EPS, EBITDA and adjusted EBITDA should not be considered as alternatives to net income, operating income, cash from operations or any other measure of financial performance or liquidity presented in accordance with U.S. GAAP. Adjusted net income, adjusted EPS, EBITDA and adjusted EBITDA have important limitations as analytical tools because they exclude some, but not all, items that affect net income. Additionally, because adjusted net income, adjusted EPS, EBITDA and adjusted EBITDA may be defined differently by other companies in its industry, Delek US' and Delek Logistics' definitions may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. Please see reconciliations of adjusted net income, adjusted EPS, EBITDA and adjusted EBITDA to their most directly comparable financial measures calculated and presented in accordance with U.S. GAAP in the appendix.

# Second Quarter 2020

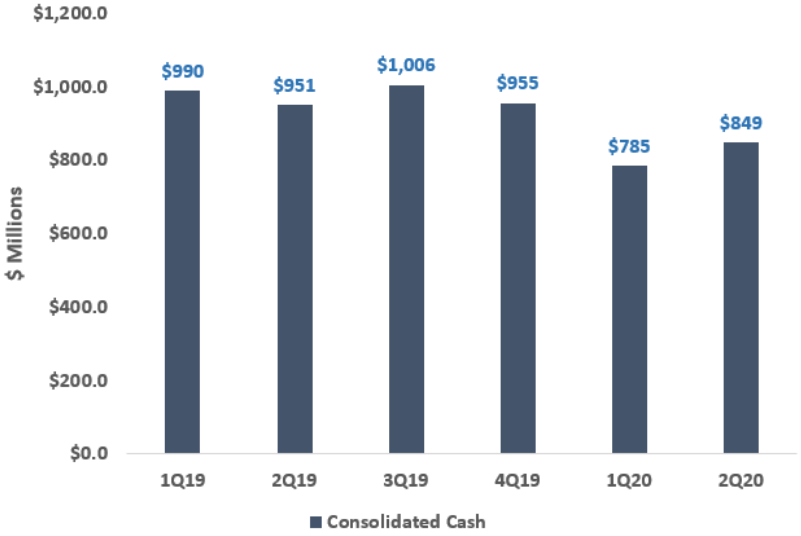
- **Reported EPS of $1.18 and adjusted EPS of $(1.50) [1]**
  - Adjusted net loss of $111 million and adjusted EBITDA loss of $85 million [1]
    - Adjusted quarterly results were impacted by net losses totaling approximately $75 million (after-tax) or $(1.02) per share, which is comprised of the following:
      - Negative impact from "other inventory"of $(70) million (after-tax).
      - Negative impact from "sale of purchase product"of $(22) million (after-tax).
      - Negative impact from hedging of $104 million (after-tax) the majority of which related to fixed price crude transactions that resulted in margin gains at our Tyler Refinery totaling $85 million (after-tax)
      - A reversal of the $36 million tax headwind disclosed in 1Q2020

- **Business model transition to more stable cash flow is well underway**
- **Midstream investments are coming to fruition and beginning to contribute**
- **Retail and logistics segments continue performing well through the downturn**
- **Agility to adapt operating expenses and capital spending to evolving macro environment**

## Transforming to More Diversified EBITDA



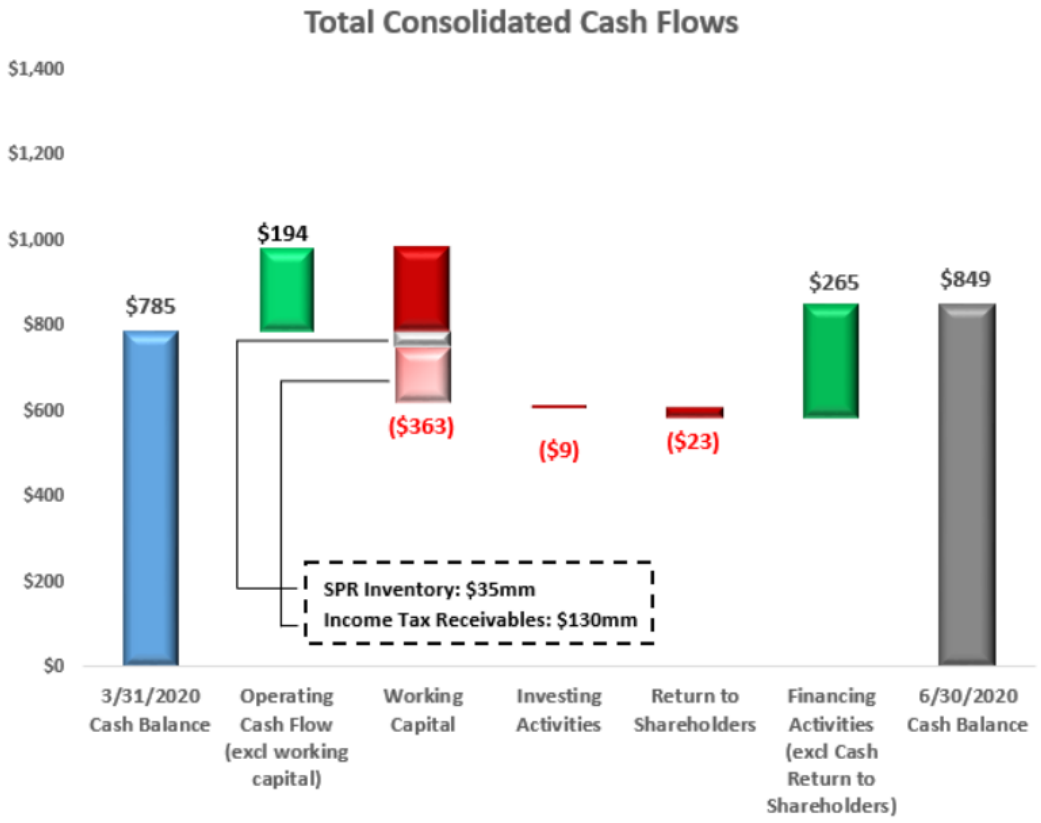

## Balance Sheet Flexibility




1) See slides 10, 11 and 12 for a reconciliation of adjusted net income to net income, adjusted net income per share to net income per share, and adjusted EBITDA to net income.

# Second Quarter 2020

- **Strong financial position with over $849 million of cash on the balance sheet**
- **Cash flow from operating activities of approx. $194 million**
- **Working capital decreased cash flow by approx. $363 million**
  - $130 million of income tax receivables
  - $35 million of SPR Inventory
- **Total investing activities of approx. $9 million:**
  - Cash capital expenditures of approx. $15.0 million
  - Net JV charge of approx. $0.8 million
- **Total cash returned to shareholders of approx. $23 million**



# Capitalization

- **Delek US Consolidated at June 30, 2020**
  - Cash of $849 million
  - Net debt of $1.6 billion
- **Excluding Delek Logistics at June 30, 2020**
  - Cash of $833 million
  - Net debt of $627 million
- **Balance sheet provides financial flexibility**

| ($ in millions) | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Current Portion of Long-Term Debt | $33 | $36 |
| Long-Term Debt | $2,422 | $2,031 |
| **Total Debt** | $2,455 | $2,067 |
| Cash | $849 | $955 |
| **Net Debt Delek US Consolidated** | $1,606 | $1,112 |
| **Delek Logistics** | | |
| Total Debt | $995 | $833 |
| Cash | $16 | $6 |
| **Net Debt Delek Logistics** | $979 | $827 |
| **Delek US, excel. Delek Logistics** | | |
| Total Debt | $1,460 | $1,234 |
| Cash | $833 | $949 |
| **Net Debt Delek US excluding DKL** | $627 | $285 |

# Guidance

| 3Q20 Guidance Range | Low | High |
|---|---|---|
| Consolidated Operating Expenses, $ in millions | $145.0 | $155.0 |
| Consolidated G&A, $ in millions | $57.0 | $63.0 |
| Consolidated Depreciation and Amort., $ in millions | $60.0 | $63.0 |
| Net interest expense, $ in millions | $28.0 | $30.0 |
| Total Crude Throughput | 230,000 | 250,000 |

**$100mm of Cost Savings (Full-Year 2020)**

$75mm Decrease in OPEX *(vs. 2019 levels)*

$25mm Decrease in Overhead *(vs. 2019 levels)*

# Capital Expenditure

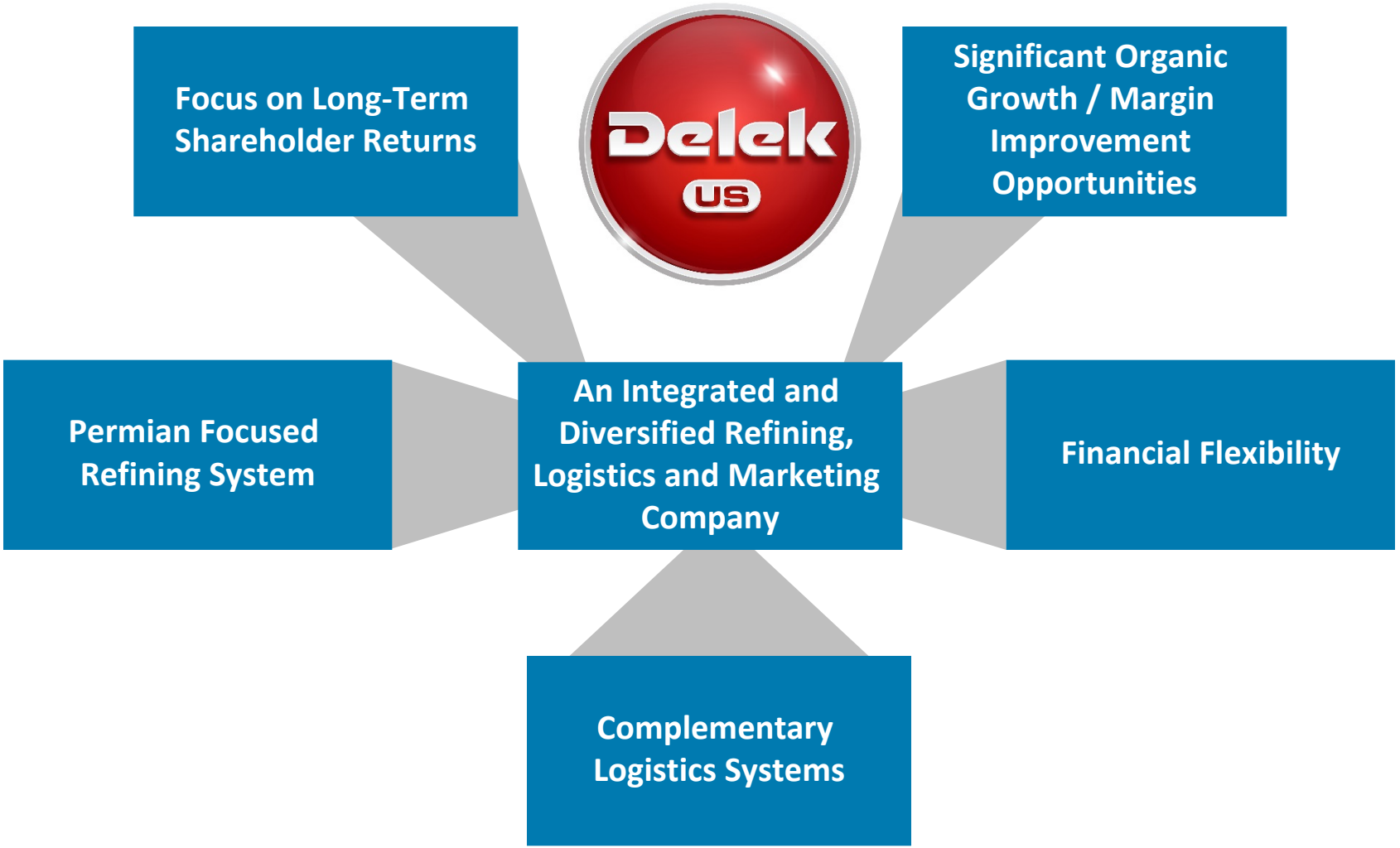
- **Expected 2020 capital expenditures of $250 million**
  - $206.4mm: Refining
  - $18.2mm: Logistics
  - $8.9mm: Retail
  - $16.5mm: Corporate
- **2020 includes the following projects:**
  - **Big Spring Turnaround**
    - Completed in early March 2020
- **Does not include joint venture investments for recently announced transactions (Wink to Webster; Red River)**
- **Spent 81% of full-year budget in First Half 2020**
  - Remaining 2020 spend only $47 million

| ($ in millions) | Six Months Ending June 30, 2020 | 2020 Forecast | 2020 Remaining |
|---|---|---|---|
| **Refining:** | | | |
| Regulatory | $41.5 | $42.8 | $1.3 |
| Maintenance/reliability | $138.6 | $162.7 | $24.1 |
| Discretionary/business development | $0.2 | $0.9 | $0.7 |
| **Refining segment total** | **$180.3** | **$206.4** | **$26.1** |
| **Logistics:** | | | |
| Regulatory | $1.3 | $3.0 | $1.7 |
| Maintenance/reliability | $0.5 | $2.7 | $2.2 |
| Discretionary/business development | $1.9 | $12.5 | $10.6 |
| **Logistics segment total** | **$3.7** | **$18.2** | **$14.5** |
| **Retail:** | | | |
| Regulatory | $0.2 | $0.2 | $0.0 |
| Maintenance/reliability | $1.0 | $2.2 | $1.2 |
| Discretionary/business development | $6.3 | $6.5 | $0.2 |
| **Retail segment total** | **$7.5** | **$8.9** | **$1.4** |
| **Other:** | | | |
| Regulatory | $0.3 | $0.6 | $0.3 |
| Maintenance/reliability | $0.0 | $0.8 | $0.8 |
| Discretionary/business development | $11.5 | $15.1 | $3.6 |
| **Other total** | **$11.8** | **$16.5** | **$4.7** |
| **Total Capital expenditures** | **$203.3** | **$250.0** | $46.7 |

# Delivering on Promises

- Business Model Transition to More Stable Cash Flow
- Midstream Investments Coming to Fruition
- On-track to Deliver on Full-Year CAPEX and Cost Guidance
- Increased Disclosure for Investors

# Questions and Answers



# Non-GAAP Reconciliations of Adjusted Net Income

**Delek US Holdings, Inc.**

Reconciliation of Amounts Reported Under U.S. GAAP

$ in millions, except per share data

| **Reconciliation of Net Income (Loss) attributable to Delek to Adjusted Net Income (Loss)** | **Three Months Ended June 30, 2020** | **2019** |
|---|---|---|
| | (Unaudited) | |
| **Reported net income (loss) attributable to Delek** | **$ 87.7** | **$ 77.3** |
| **Adjustments, after tax** | | |
| Net after tax inventory valuation (benefit) loss | $ (155.4) | $ 0.5 |
| Net after tax unrealized hedging (gain) loss | $ 18.1 | $ 2.8 |
| Net after tax effect of gain from sale of Bakersfield non-operating refinery | $ (44.1) | $ — |
| Net after tax non-operating pre-acquisition litigation contingent losses and related legal expenses | | $ 5.2 |
| Net after tax retroactive biodiesel tax credit [(1)] | | $ 10.9 |
| Net after tax discontinued operations (income) loss | | $ 0.8 |
| Tax benefit from loss carryback provided by CARES Act [(2)] | $ (16.8) | $ — |
| Total after tax adjustments | $ (198.2) | $ 20.2 |
| **Adjusted net income (loss)** | **$ (110.5)** | **$ 97.5** |

(1) An adjustment for the portion of the retroactive biodiesel tax credit reenacted in December 2019 that was attributable to 2019 has been included in the three months ended June 30, 2019 for comparability.

(2) As a result of the reinstatement of the tax-loss carryback provisions under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES" Act), we recognized an additional tax benefit in the second quarter 2020 from applying the carryback to periods with a 35% tax rate.

# Non-GAAP Reconciliations of Adjusted Net Income per Share

**Delek US Holdings, Inc.**

Reconciliation of Amounts Reported Under U.S. GAAP

$ in millions, except per share data

| | Three Months Ended June 30, | |
|---|---|---|
| **Reconciliation of U.S. GAAP Income (Loss) per share to Adjusted Net Income (Loss) per share** | **2020** | **2019** |
| | (Unaudited) | |
| **Reported diluted income (loss) per share** | **$ 1.18** | **$ 1.00** |
| **Adjustments, after tax (per share)** [1] [2] | | |
| Adjustment to convert reported diluted income (loss) per share to basic (in periods when adjusted earnings is a loss but we have GAAP net income) | 0.01 | — |
| Net inventory valuation loss (benefit) | (2.11) | 0.01 |
| Unrealized hedging (gain) loss | 0.25 | 0.04 |
| Gain from sale of Bakersfield non-operating refinery | (0.60) | — |
| Non-operating, pre-acquisition litigation contingent losses and related legal expenses | — | 0.07 |
| Retroactive biodiesel tax credit | — | 0.14 |
| Discontinued operations (income) loss | — | 0.01 |
| Tax benefit from loss carryback provided by CARES Act | (0.23) | — |
| Total adjustments | (2.68) | 0.27 |
| **Adjusted net income (loss) per share** | **$ (1.50)** | **$ 1.27** |

(1) The tax calculation is based on the appropriate marginal income tax rate related to each adjustment and for each respective time period, which is applied to the adjusted items in the calculation of adjusted net income in all periods.

(2) For periods of Adjusted net loss, Adjustments (Adjusting Items) and Adjusted net loss per share are presented using basic weighted average shares outstanding.

# Non-GAAP Reconciliations of Adjusted EBITDA

**Delek US Holdings, Inc.**

Reconciliation of Amounts Reported Under U.S. GAAP

$ in millions

| **Reconciliation of Net Income (Loss) attributable to Delek to Adjusted EBITDA** | **Three Months Ended June 30, 2020** | **2019** |
|---|---|---|
| | (Unaudited) | |
| **Reported net (loss) income attributable to Delek** | **$ 87.7** | **$ 77.3** |
| **Add:** | | |
| Interest expense, net | 29.3 | 29.5 |
| Income tax (benefit) expense - continuing operations | (35.9) | 24.6 |
| Depreciation and amortization | 59.6 | 50.1 |
| **EBITDA** | **140.7** | **181.5** |
| **Adjustments** | | |
| Net inventory valuation (benefit) loss | (203.1) | 0.6 |
| Unrealized hedging (gain) loss | 23.4 | 3.6 |
| Gain from sale of Bakersfield non-operating refinery | (56.9) | — |
| Non-operating, pre-acquisition litigation contingent losses and related legal expenses | — | 6.7 |
| Retroactive biodiesel tax credit [(1)] | — | 11.0 |
| Discontinued operations (income) loss, net of tax | — | 0.8 |
| Net income attributable to non-controlling interest | 10.8 | 6.5 |
| Total adjustments | (225.8) | 29.2 |
| **Adjusted EBITDA** | **$ (85.1)** | **$ 210.7** |

(1) The portion of the retroactive biodiesel tax credit reenacted in December 2019 that was attributable to 2019 has been added to the three months ended June 30, 2019.