



PBF Energy Inc. (NYSE: PBF)

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MFIF

Minutemen Fixed Income Fund

Investment Thesis

We recommend an **overweight** position on PBF Energy Inc.'s (PBF) 9.250% 2025 senior secured notes. PBF is one of the largest independent merchant refiners in the U.S. with operations in 4 Petroleum Administration for Defense Districts (PADDs) with 6 refineries and 1mm barrels per day (bpd) in throughput capacity. We believe the market has overcompensated for PBF's financial stress that is mainly due to industry-wide trends and the untimely Martinez acquisition. The market is not properly pricing the disproportionate effect reduced Renewable Volume Obligation (RVO) requirements will have on PBF's margins. We also believe the market is not properly pricing in the effect of an increased differential between heavy and light crudes that increase margins and exacerbates synergies that are set to occur for the Martinez refinery that was acquired in 1Q20. PBF will also soon be positioned for longer-term margin growth due to the construction of a renewable diesel facility at the Chalmette facility that will allow PBF to have a consistent solution to RIN-based margin shrinkage. In addition, the secured nature of the 2025s offers a high degree of protection based on PBF's high cash and A/R balances as well as high PP&E balance. We believe that the market has overcompensated for the risk's in PBF's balance sheet, RVO requirements, and temporary negative margins and we expect the 2025's to tighten 75-100bps, based on industry peer spreads.

Figure 1: Capitalization Table

PBF Energy Inc. (NYSE: PBF)								
LTM EBITDA (mm)	89							
LTM EBITDA, Leverage	52.0x							
2021E EBITDA, Leverage	4.3x							
Debt Outstanding (USD in Millions)								
Type	Amount	O/S	Maturity	Est. Leverage	Coupon	Price	YTW	Acc. Interest
1st Lien Secured Loans				1.0x				
1st Lien 2023 Revolver (PBFX)	160		2/13/2023		2.1217%	100	2.18	
1st Lien 2023 Revolver	900		5/2/2023		1.6217%	100	1.72	
Sr Secured Bonds				2.1x				
Senior Secured 2025 Notes	1,250		5/15/2025		9.250%	97.1	10.26	4.03
Sr Unsecured Bonds				4.3x				
Senior Unsecured 2023 Notes (PBFX)	525		5/15/2023		6.875%	98	8.244	3
Senior Unsecured 2025 Notes	725		5/15/2025		7.250%	76.7	15.91	2.56
Senior Unsecured 2028 Notes	1,000		2/15/2028		6.000%	71.4	12.71	1.12
Total Value of Debt	4,560							
(+) Market Capitalization	1,924							
(-) Cash	1,480							
(-) Preferred Stock	0							
(-) Noncontrolling Interests	583							
Enterprise Value	8,546							

Source: Company Filings, Bloomberg, MFIF Analysis

Security Data

Bond Maturity: 5/15/2025

Rating: B2 / BB-

Rank: Senior Secured

Dirty Price: 101.08

Dirty Yield-to-worst: 8.77%

Call Date: 5/15/2022

Coupon: 9.250%

Dirty OAS: 801.0 bps

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Company Overview

PBF Energy is a merchant refinery firm with 6 refineries and ~1.0mmpbd of throughput. It is one of the most complex refiners in the U.S. with a Nelson Complexity Index (NCI) of 13.0. They operate throughout the U.S. with a presence on the East Coast in Delaware and New Jersey, the Gulf Coast in New Orleans (Chalmette), Midwest in Toledo, and the West Coast in Torrance and newly acquired Martinez. PBF also owns a 48% stake in PBF Logistics LP, a fee-based, growth-oriented partnership focused on logistics in crude oil and refined oil products. The logistics operation owns 23.4 miles of 16” pipeline and mainly operates on the East Coast.

Industry Overview

Crude oil refining is the process of separating hydrocarbons present in crude oil and converting them into marketable petroleum products such as gasoline, diesel, jet fuel, and lubricants. Refining is heavily reliant on margins as it relies on prices of crude as inputs and prices of refined petroleum as outputs. Crude oil itself is divided into several categories based on its makeup. It is first divided by weight (or gravity). Light crudes have less carbons per hydrogen (>35° API), while heavy crudes have more carbons per hydrogen (<25° API). They are then divided by sulfur content, with sweet crudes having <1% sulfur while sour crudes have >1% sulfur. Heavy crudes and sour crudes are typically more difficult to process and require more complex refineries and therefore trade at a discount to light, sweet crudes. The complexity of a refinery is measured by the Nelson Complexity Index, which is a measure of a refinery’s complexity on a scale of 1-20.

Environmental Obligation Overview

The oil industry has been subject to consistent crackdowns over environmental effects over the past several decades. The Renewable Fuel Standard (RFS) program in the U.S. uses Renewable Volume Obligations (RVOs) as the requirement for oil refiners to blend a specific percentage of renewable fuel into its petroleum products. If refiners are not able to mix an adequate amount to meet its RVO, they must purchase Renewable Identification Numbers (RINs) on the open market from producers that generate excess through blending. RINs are one of the main drags on PBF’s and other refiners’ margins as it is not producing enough to meet its RVO. RINs come in several different categories. The first is the renewable fuel RIN, classified as D6. This is the most basic RIN and has the highest volume mandate, satisfied by blending corn-based ethanol into gasoline. The next is the advanced biofuel RIN, classified as D5. This is created by blending sugarcane-based ethanol, biobutanol, or bionaphtha into gasoline. The next is biomass-based diesel RIN, classified as D4. This is created by blending diesel made from soybean oil, canola oil, waste oil, or animal fats into diesel. The last is cellulosic biofuel, classified as D3. This is created by blending ethanol made from cellulosic material into gasoline. The RIN requirements are “nested”, meaning the more advanced RINs count against compliance for less advanced RINs. Therefore, D3 counts for D5 and D6, D4 counts for D5 and D6, and D5 counts for D6.

Figure 2: Average Crude Type as % of Throughput

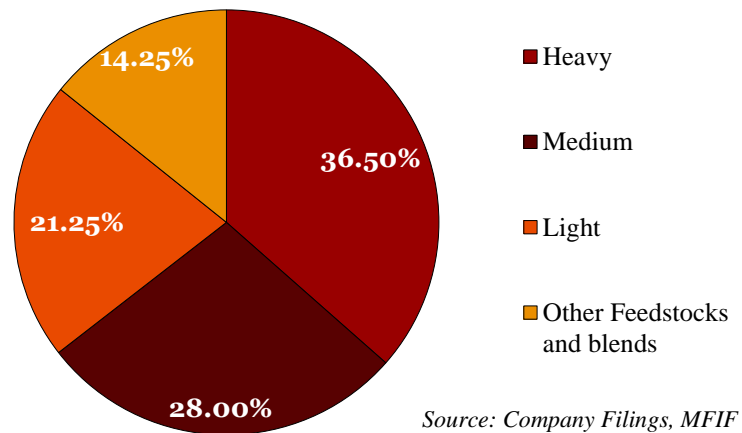


Figure 3: Map of PBF Assets



Investment Rationale and Catalysts

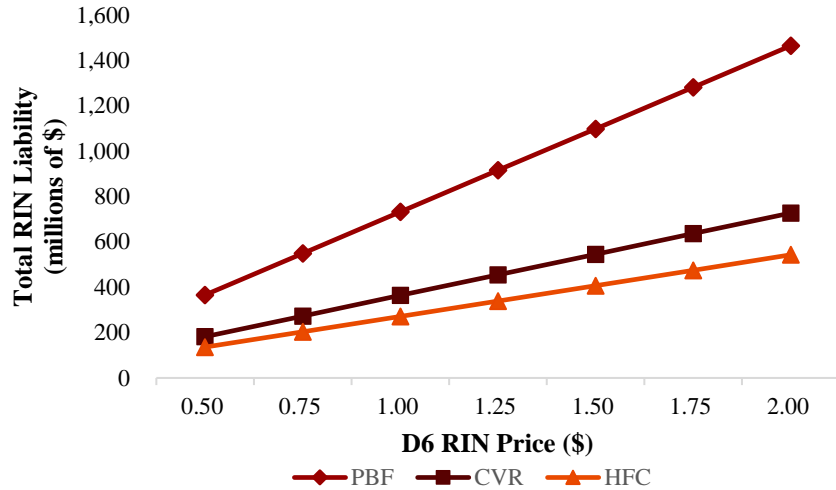
EPA reduction in RVO disproportionately benefits PBF due to high RIN liabilities and high variable RIN costs

The EPA is set to reduce blending requirements for biofuels, or the RVO, for 2021 to below 2020 levels. PBF currently has \$1.1b in environmental liabilities in accrued expenses with ~\$700mm of this is RIN expense related to EPA biofuel blending requirements. ~\$400mm of this is unprotected RIN liabilities and fluctuates with market prices. By reducing blending requirements, PBF and other refiners will have to purchase less RINs in exchange for producing less biofuel because their RVO requirement will be lower and therefore they do not have as big of an obligation to satisfy. In conjunction, the likely reduced blending requirements reduce demand and therefore reduce prices of RINs a significant amount. D6 RINs, the most basic type, dropped ~43% on the news and on speculation before the news article initially before moving back up as the report is not confirmed currently. Exacerbating the drop in prices is the Supreme Court's reinstatement of the Small Refinery Exemption program, a program that exempts refineries with under 75,000bpd of throughput from needing to satisfy RVO requirements. This gives further relief to RIN prices as the countless small refiners do not need to purchase RINs which continues to reduce the prices. PBF is disproportionately affected by changes in RIN prices due to a greater proportion of unprotected liabilities. Figure 4 depicts the liability level of PBF and several competitors at varying RIN prices. PBF has ~\$900mm of RIN liabilities at current prices but with a \$0.25 drop in prices leading to a new liability of ~\$732mm and \$0.50 drop leading to a new liability of ~\$550mm. Based on this, we believe that PBF will see a significant decrease in accrued liabilities and a significant increase in margins with dropping RIN prices. RIN expense reduced refining margins by 30% in the first half of 2021 and falling D6 prices could have a substantial impact on PBF's margins not currently priced in to PBF's spreads.

Growth in crude production produces more heavy crudes which grows heavy-light differential and increases margins for complex refiners

Oil demand fell drastically during COVID-19 due to travel restrictions and a lack of demand for gas products and jet fuel products. Since 1Q20, demand has been slowly recovering and has now reached levels comparable to pre-pandemic but with room for continued growth. As shown in Figure 7, refinery utilization is at an average of 85.2% for 2021 with a high of 92.9%. Historically, annual utilization averages at ~97.1% with highs near 98.1%, illustrating the room for increased demand in 3Q21 and beyond. E&P producers typically favor light sweet crudes that are more valuable when demand is low and do not produce as much of the less valuable medium-heavy sour crudes.

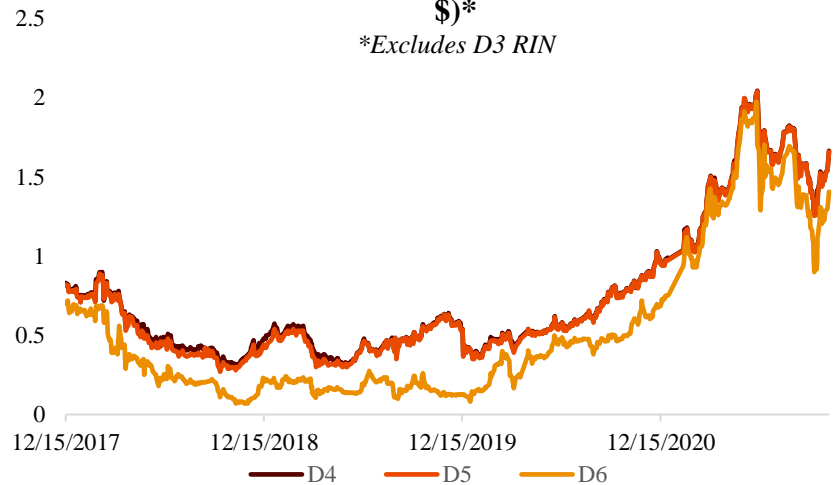
Figure 4: RIN Liability Price Sensitivity (millions of \$)



Source: Bloomberg, Company Filings, MFIF Analysis

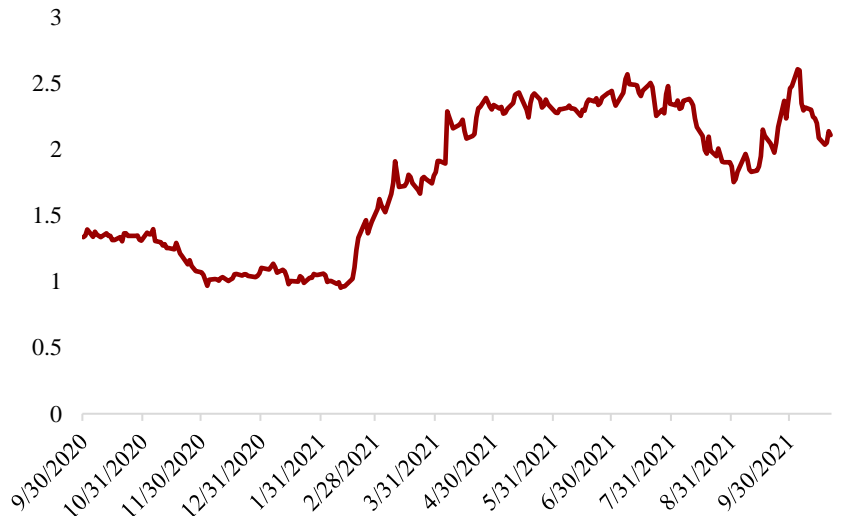
Figure 5: RIN Prices by Classification (3 Yrs, \$)*

*Excludes D3 RIN



Source: Bloomberg, MFIF Analysis

Figure 6: Brent-Dubai Differential (1 Yr, \$)

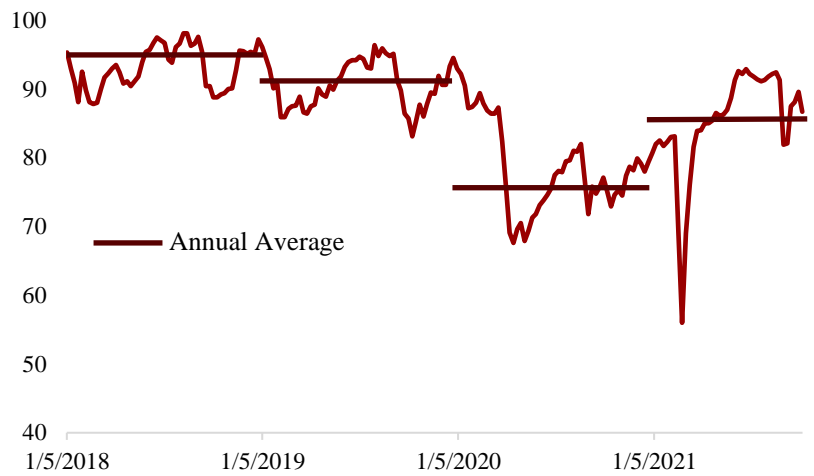


Source: Bloomberg, MFIF Analysis

The more valuable crudes light, sweet crudes have lower APIs, meaning they have less carbons per hydrogen, as well as less than 1% of sulfur content. Light sweet crudes require less treatment to refine and therefore typically trade at a premium to heavy sour crudes that have high APIs and more sulfur. This affects refiners because the refineries must be relatively more complex to refine the heavy sour crudes by utilizing additional processing units and techniques, as measured by the Nelson Complexity Index (NCI), a measure of a refiner’s complexity running from 1-20. During COVID-19, the differential between the light sweet crudes and heavy sour crudes decreased dramatically due to lower demand and E&P’s focus on light sweet crude production, as shown in Figure 5. This negatively affects the more complex refiners because they have no use for the higher complexity refineries that require more capital investment and have higher operating expenses. Today, since demand has dramatically increased since peak pandemic, E&P companies are required to produce more and more of the less favorable heavy sour crudes to meet demand. This trend has been occurring the past several months, as shown in Figure 5 in the Dubai-Brent differential, a measure of the spread between light sweet and heavy sour crudes that uses the Dubai crude to measure medium-heavy and Brent to measure light, with the index growing ~120% from the last year.

PBF is set to disproportionately benefit from the trend of an increased differential between light and heavy crudes due to positioning as one of the most complex independent refineries and due to the recent acquisition of the Martinez refinery, one of the most complex refineries in the US. PBF has a weighted average NCI of 13.0 which is significantly greater compared to competitors such as CVI with a 10.8, HFC with 11.5, PARR with 5.2, and PSX with 11.1. In addition, the Martinez acquisition greatly benefits from the increase in differentials due to its very high 16.1 NCI and strategic positioning. Martinez was acquired shortly before COVID-19 in a mostly debt funded purchase which had a significant negative effect to the financial stability of PBF due to the downturn in refineries that followed in the pandemic. As demand picks back up, the synergies that PBF expected to create at Martinez due to its California location that puts it in the north of California while PBF’s existing Torrance refinery operates in the South will be exacerbated by the increase in the heavy-light differentials that benefits more complex refineries like Martinez. We believe that PBF will see decreasing cost of sales from 88.44% of revenue down to ~87.70% in 3Q21 and 2Q22 before demand levels off and the margin sits at ~88.00%. This reflects a ~\$46mm growth in EBITDA in 3Q21 and ~\$50mm growth in 2Q22 and 3Q22. The market is not pricing in the disproportionate benefit this differential will have on PBF’s margins, as shown in its spreads compared to less complex refiners. Demand is still down from normal years due to continued decreased jet fuel demand and decreased travel, and as the pandemic continues to ease, we expect demand to increase to a level in line with historicals for FY22.

Figure 7: Utilization of Refinery Capacity (%)

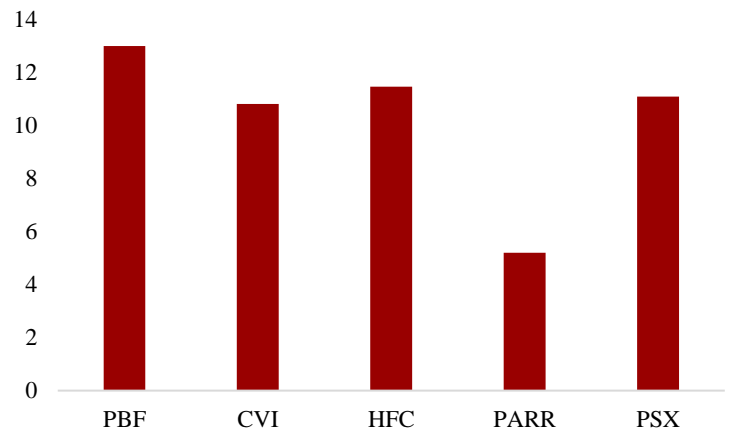


Source: Company Filings, MFIF Analysis

Risks to Thesis

- If the EPA were to reduce the RVO less than expected or not at all, the effect on PBF’s financials could be limited and not have an impact on credit quality. If the EPA were to raise 2022 RVO’s to a higher than expected standard, PBF could again see its financials negatively impacted
- If crude demand does not increase as expected and results in a limited heavy-light differential growth, or if the differential is to shrink due to lack of heavy crude production, PBF could see reduced margins as its high complexity operations become useless despite higher operating costs to maintain operations
- If the Chalmette RDP facility takes longer than projected or proves more costly than expected, PBF could see a negative impact on returns on investment in the project. If the EFS standards are changed and D4 RINs are no longer as valuable, it could have a negative effect on the project’s effectiveness

Figure 8: Weighted Average NCI



Source: Company Filings, MFIF Analysis

New renewable diesel project at Chalmette allows for long term reduction in RIN burden and margin growth

As discussed in the first point, RIN liabilities represent a very significant portion of PBF's spending and decreases margins by ~30% which is extremely negative on the company's ability to generate cash flow. The company is currently reviewing final plans to develop a renewable diesel production facility at its Chalmette refinery in the Gulf Coast with ~20,000bpd of throughput. The facility would help PBF satisfy its RVO a significant amount as it currently has very little renewable capacity. The renewable diesel project would satisfy the D4 RIN requirement, which requires refiners to create biomass based diesel by blending with diesel made from soybean oil, canola oil, waste oil, or animal fats. The D4 level is also an important distinction because the D4 is a "nested" RIN, meaning it counts against the lower 2 RINs, the D5 and D6 requirements. While the EPA is likely to reduce blending requirements for 2021, a renewable diesel facility will allow for a longer-term solution to the massive RIN liabilities and reduction of margins that PBF consistently faces. Management has stated that the project could be online in as little as 12 months and would be built at significantly lower costs than similar renewable diesel projects. In addition, PBF received a tax exemption on the project that is expected to save ~\$91mm over 10 years. As shown in Figure 7, based on similar projects we expect the project to require ~\$198mm depending on the savings management can generate compared to other projects. We believe the facility would produce ~98mm D4 RINs/quarter with the value of these RINs being ~\$145mm/quarter depending on D4 prices. PBF's RVO liability is ~55,000bpd and the facility would lead to a reduced liability of ~25,000bpd. This would lead to a ~55% decrease in annual RIN liabilities, an extremely significant decrease and a significant boost to margins. We believe that the market has not fully appreciated the long-term margin increases that PBF could see from this project's completion. The project could lead to a 5-year savings of ~\$40mm or ~35% in RIN expense. If PBF can get the project online in the 12-month claimed time frame, they will create a long-term solution to the massive RIN liability that would allow for continued decreased RIN liabilities, coming online just as RVO requirements are likely to start increasing.

Relative Valuation

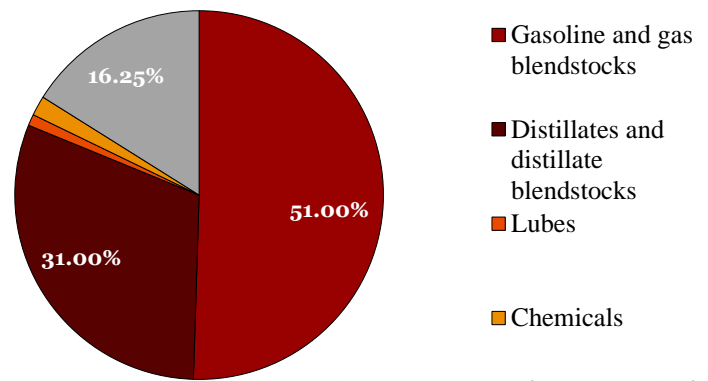
We believe the market is not properly pricing PBF's 2025 senior secured bonds due to PBF's temporary financial stress that is mainly due to industry-wide trends and the untimely Martinez acquisition. Compared to PARR's 2025 unsecured bonds, PBF's secured notes are trading ~240bps wider. PBF operates on a significantly larger scale (\$19b vs \$3b in revenue), has begun moving to positive LTM EBITDA (\$89mm vs -\$24mm), and has significantly lower proj. leverage (3.2x vs 6.0x). This is shown in PBF's ~150bps greater spread per est. turn of leverage (247bps vs 94bps).

Figure 9: Proj. Cost of Chalmette RDP (Millions of \$)

	Cost Discount (Relative to Avg. Implementation Costs)						
	0.00%	5.00%	10.00%	15.00%	20.00%	25.00%	30.00%
8,667	173	165	156	147	139	130	121
9,667	193	184	174	164	155	145	135
10,667	213	203	192	181	171	160	149
11,667	233	222	210	198	187	175	163
12,667	253	241	228	215	203	190	177
13,667	273	260	246	232	219	205	191
14,667	293	279	264	249	235	220	205

Source: Bloomberg, Company Filings, MFIF Analysis

Figure 10: Product Yield as % of Throughput



Source: Company Filings, MFIF Analysis

Figure 11: Comparable Companies Analysis

Comps (USD in Millions)	PBF	PARR	CVI	HFC
Market Cap	1,247	910	1,386	6,076
Debt	4,628	571	1,687	3,534
Net Debt	3,148	397	1,162	2,135
Enterprise Value	4,395	1,307	2,548	8,211
Revenue (LTM)	19,145	3,512	5,370	13,802
EBITDA (LTM)	89	(24)	1	1,024
Est. EBITDA (2021)	970	66	229	1,335
Debt/EBITDA (LTM)	52.0x	-24.3x	1687.0x	3.5x
Net Debt/EBITDA (LTM)	35.4x	-16.9x	1162.0x	2.1x
Net Debt/Est. EBITDA	3.2x	6.0x	5.1x	1.6x
EBITDA Margin (LTM)	0.46%	-0.67%	0.02%	7.42%
EBITDA/Interest (LTM)	0.3x	-0.3x	0.0x	7.6x
Est. EBITDA/Interest	3.2x	0.9x	1.7x	9.9x
FCF (LTM)	(182)	(116)	208	(81)
Individual Security Comps				
Rating	B2/BB-	B1/B+	B1/B+	Baa3/BBB-
Coupon	9.250%	7.750%	5.250%	5.875%
Maturity	5/15/2025	12/15/2025	2/15/2025	4/1/2026
Dirty Price	101.08	102.55	100.77	114.72
Dirty YTW	8.77%	6.65%	4.89%	2.18%
Dirty OAS	801.0 bps	565.2 bps	412.2 bps	120.8 bps
Next Call Date	5/15/2022	11/22/2021	2/15/2022	1/1/2026
Spread/Turn of Leverage	22.6 bps	-33.5 bps	0.4 bps	57.9 bps
Spread/Est. Turn of Leverage	246.7 bps	94.1 bps	81.2 bps	75.5 bps

Source: Bloomberg, Company Filings, MFIF Analysis

We believe this is an extremely unjustifiable differential despite PBF's high levels of debt and strained financials, especially considering the EPA's RVO change and the industry wide movement towards more complex crudes that benefits PBF to a much greater extent than PARR. These factors are exacerbated by the secured nature of PBF's bonds that put only ~\$1.1b of debt senior to it and the extensive asset coverage that secures the bonds (~\$1.5b in cash, ~1b in A/R, ~\$5b in PP&E).

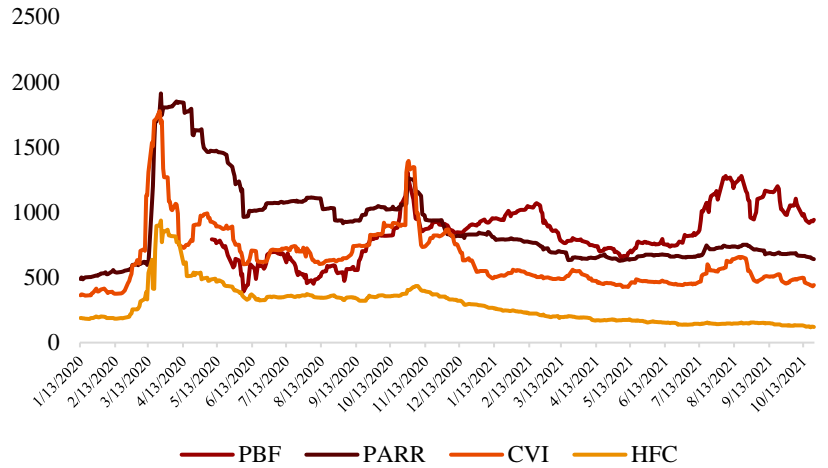
Compared to CVI's 2025 unsecured bonds, PBF's 2025 secured bonds trade ~390bps wider. PBF again operates at significantly larger scale (\$19b vs \$5b in revenue), significantly greater LTM EBITDA (\$89mm vs \$1mm) and has significantly lower proj. leverage (3.2x vs 5.1x). This is also shown in the spread per est. turn of leverage, with PBF trading ~166bps greater. We again believe this is unjustifiable based on PBF's likely lower leverage in FY21 and the industry-wide movement that favors PBF. PBF's bonds are again also secured compared to the unsecured nature of CVI's 2025s that makes PBF's notes trade with significantly greater asset coverage but despite this still trade extremely wide.

While HFC is investment grade, it is one of the lower-rated refiners that we wanted to include as a comparison because of its scale and greater similarities to PBF compared to other comps. PBF's secured 2025's is trading ~680bps wider than HFC's 2026 bonds. While we recognize the lower leverage and much greater margins in HFC, we do not think it justifies such a large spread. HFC has lower est. leverage and much greater LTM EBITDA (3.2x vs 1.6x and ~\$1b vs ~\$89mm), but we do not think these better metrics justify such a large spread, as shown in the spread per est. turn of leverage for PBF being ~171bps greater than HFC.

Based on competitor's spreads, we expect a ~75-100bps tightening of the bonds with significantly more room for tightening if company-specific and industry-wide fundamentals were to improve. While PBF has a relatively high debt load, average margins, and increased RIN-expense liability, we do not believe these factors justify the notes trading at such levels. PBF has been consistently tightening since mid-September, tightening ~300bps in that time and we believe it has more room to go. 75-100bps represents our baseline assumptions for tightening but we could see the bonds trading significantly tighter, somewhere in the ~500-600bps range if the company is able to delever, improve operating margins and metrics, and if the market continues to see improving differentials. A confirmation of the RVO lowering by the EPA is also a major catalyst for this price movement as the bonds tightened ~140bps in response to the news detailing the change before widening back out to reflect the uncertainty of the news and could tighten even more once the RVO numbers are officially released.

Figure 12: OAS (21 Month, bps)*

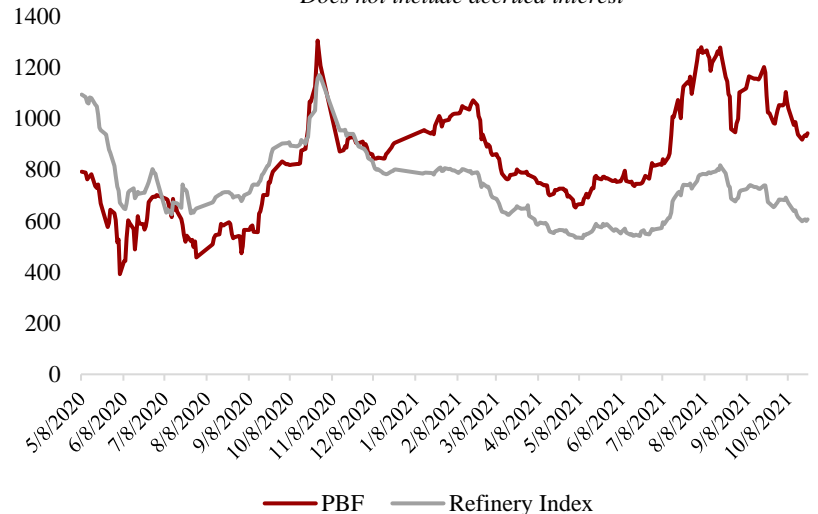
**Does not include accrued interest*



Source: Bloomberg, MFIF Analysis

Figure 13: OAS vs Refinery Index (17 Month, bps)*

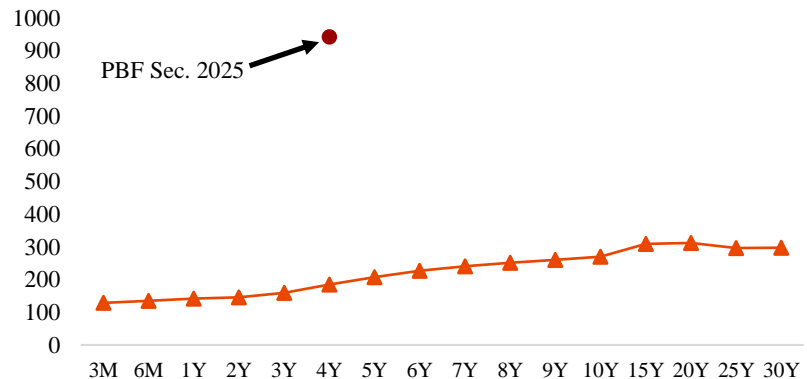
**Does not include accrued interest*



Source: Bloomberg, MFIF Analysis

Figure 14: OAS vs BB Index Yield Curve (Month, bps)*

**Does not include accrued interest*



Source: Bloomberg, MFIF Analysis

Summary Model

PBF Energy (PBF)													
Fiscal Year	FY2019A	3Q20A	4Q20A	1Q21A	2Q21A	3Q21P	4Q21P	1Q22P	2Q22P	3Q22P	4Q22P	FY2022	FY2023
EOP Date	12/31/2019	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022	12/31/2022	12/31/2023
Income Statement													
Revenue													
Gasoline and distillates	21,278	3,122	3,071	4,230	5,991	6,200	6,231	6,200	6,293	6,388	6,356	25,236	25,740
% Change	-	53.3%	-1.6%	37.7%	41.6%	3.5%	0.5%	-0.5%	1.5%	1.5%	-0.5%	11.4%	2.0%
Asphalt and blackoils	1,426	207	202	215	298	309	310	309	313	318	317	1,257	1,282
% Change	-	-4.1%	-2.0%	6.4%	38.5%	3.5%	0.5%	-0.5%	1.5%	1.5%	-0.5%	10.9%	2.0%
Feedstocks and other	807	196	210	212	291	301	302	301	305	310	308	1,224	1,249
% Change	-	19.7%	7.1%	0.9%	36.9%	3.5%	0.5%	-0.5%	1.5%	1.5%	-0.5%	10.7%	2.0%
Chemicals	682	82	112	195	230	232	233	230	232	233	230	925	916
% Change	-	79.6%	36.5%	74.6%	18.3%	0.5%	0.5%	-1.0%	0.5%	0.5%	-1.0%	4.0%	-1.0%
Lubricants	275	43	41	61	73	74	74	74	75	76	75	299	305
% Change	-	11.7%	-4.0%	47.7%	20.6%	0.5%	0.5%	-0.5%	1.5%	1.5%	-0.5%	6.4%	2.0%
Total Revenue from Energy	24,469	3,649	3,637	4,913	6,883	7,115	7,151	7,114	7,218	7,324	7,286	28,942	29,492
PBFX Revenue													
Logistics	340	89	89	88	90	90	91	90	90	91	90	361	357
% Change	-	-0.2%	0.1%	-1.8%	2.6%	0.5%	0.5%	-1.0%	0.5%	0.5%	-1.0%	0.6%	-1.0%
Total Revenue from PBF	24,809	3,738	3,726	5,001	6,973	7,205	7,241	7,203	7,308	7,415	7,376	29,302	29,848
Less Elimination from Intercompany Revenue	(301)	(71)	(71)	(76)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(300)	(300)
Total Revenues	24,508	3,668	3,655	4,925	6,898	7,130	7,166	7,128	7,233	7,340	7,301	29,002	29,548
Cost and Expenses													
Cost of products and other	21,388	3,379	3,181	4,191	6,101	6,260	6,306	6,273	6,344	6,430	6,425	25,471	26,002
Operating expenses	1,782	472	473	481	484	492	487	485	492	499	496	1,972	2,009
Depreciation and amortization expense	425	130	182	114	112	143	143	143	145	147	146	580	591
Cost of Sales	23,595	3,981	3,836	4,786	6,696	6,895	6,937	6,900	6,980	7,075	7,067	28,023	28,603
General and administrative expense	284	47	62	48	55	53	54	52	54	53	53	213	213
Depreciation and amortization expense	11	3	3	3	3	3	3	3	3	3	3	13	13
Change in fair value of contingent consideration	(1)	(29)	(0)	30	(4)	(1)	(1)	(1)	(1)	(1)	(1)	(3)	(3)
Gain on sale of assets	(30)	2	(8)	(1)	-	-	-	-	-	-	-	-	-
Other	-	7	92	-	-	-	-	-	-	-	-	-	-
Total cost and expenses	23,859	4,010	3,983	4,867	6,750	6,950	6,994	6,955	7,036	7,131	7,123	28,246	28,826
Income from operations	649	(343)	(328)	58	147	180	172	173	197	208	178	756	722
Change in Tax Receivable Agreement liability	-	252	133	-	-	-	-	-	-	-	-	-	-
Change in fair value of catalyst leases	(10)	(2)	(16)	(10)	6	(6)	(6)	(4)	(3)	(5)	(4)	(16)	(16)
Interest expense, net	(160)	(70)	(73)	(80)	(81)	(30)	(108)	(30)	(108)	(30)	(107)	(275)	(222)
Other non-service components of net periodic benefit cost	(0)	1	1	2	2	2	2	2	2	2	2	8	8
Income before income taxes	480	(162)	(283)	(31)	74	146	60	141	89	176	68	473	491
Income tax	104	236	3	(8)	5	31	13	30	19	37	14	99	103
Net income	375	(398)	(286)	(22)	70	115	48	111	70	139	54	374	388
Growth rates & margins													
Revenues													
Gasoline and distillates revenue growth	-	53.3%	-1.6%	37.7%	41.6%	3.5%	0.5%	-0.5%	1.5%	1.5%	-0.5%	11.4%	2.0%
Asphalt and blackoils revenue growth	-	-4.1%	-2.0%	6.4%	38.5%	3.5%	0.5%	-0.5%	1.5%	1.5%	-0.5%	10.9%	2.0%
Feedstocks and other revenue growth	-	19.7%	7.1%	0.9%	36.9%	3.5%	0.5%	-0.5%	1.5%	1.5%	-0.5%	10.7%	2.0%
Chemicals revenue growth	-	79.6%	36.5%	74.6%	18.3%	0.5%	0.5%	-1.0%	0.5%	0.5%	-1.0%	4.0%	-1.0%
Lubricants revenue growth	-	11.7%	-4.0%	47.7%	20.6%	0.5%	0.5%	-0.5%	1.5%	1.5%	-0.5%	6.4%	2.0%
Logistics revenue growth	-	-0.2%	0.1%	-1.8%	2.6%	0.5%	0.5%	-1.0%	0.5%	0.5%	-1.0%	0.6%	-1.0%
Total Revenue Growth	-	45.8%	-0.3%	34.7%	40.1%	3.4%	0.5%	-0.5%	1.5%	1.5%	-0.5%	11.0%	1.9%
Expenses % of Sales													
Cost of products	87.3%	92.1%	87.0%	85.1%	88.4%	87.8%	88.0%	88.0%	87.7%	87.6%	88.0%	87.8%	88.0%
Cost of sales	96.3%	108.5%	104.9%	97.2%	97.1%	97.0%	97.0%	97.0%	97.0%	97.0%	97.0%	96.6%	96.8%
Non-cost of sale expenses	1.1%	0.8%	4.0%	1.6%	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.8%	0.8%
Margin before taxes	97.4%	109.3%	109.0%	98.8%	97.9%	97.5%	97.6%	97.6%	97.3%	97.2%	97.6%	97.4%	97.6%
Tax rate	21.8%	-145.3%	-1.0%	27.5%	6.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Operating Metrics													
Gross Margin	3.7%	-8.5%	-4.9%	2.8%	2.9%	3.3%	3.2%	3.2%	3.5%	3.6%	3.2%	3.4%	3.2%
Operating Margin	2.6%	-9.3%	-9.0%	1.2%	2.1%	2.5%	2.4%	2.4%	2.7%	2.8%	2.4%	2.6%	2.4%
Tax Rate	21.8%	-145.3%	-1.0%	27.5%	6.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
EBITDA Reconciliation													
(+) EBIT	649	(343)	(328)	58	147	180	172	173	197	208	178	756	722
(+) Depreciation and Amortization	436	133	185	118	115	146	147	146	148	150	149	731	821
(+) Stock-Based Compensation	1	1	(23)	7	10	11	11	11	11	11	11	44	45
EBITDA	1,086	(209)	(166)	183	273	337	330	330	356	370	338	1,531	1,588
FCF Reconciliation													
(+) EBIT*(1-Tax)	508	(840)	(331)	42	139	142	136	137	156	165	140	597	570
(+) Depreciation & Amortization	436	133	185	118	115	146	147	146	148	150	149	731	821
(-) Increase in Working Capital	457	426	(272)	205	35	(230)	(70)	(210)	(198)	(232)	(3)	(40)	(35)
(-) Capex	12	28	148	(37)	(47)	(64)	(64)	(36)	(36)	(37)	(37)	(145)	(148)
Free Cash Flow to Firm	1,413	(254)	(271)	327	241	(7)	149	37	69	46	250	1,143	1,209
Credit Metrics													
Debt	2,065	4,411	4,661	4,658	4,628	4,670	4,564	4,564	4,564	4,564	4,564	4,564	2,979
Debt/EBITDA (LTM)	1.9x	-9.3x	-5.4x	8.3x	57.5x	7.5x	4.1x	3.6x	3.4x	3.3x	3.3x	3.0x	1.9x
EBITDA/Interest (LTM)	6.8x	-2.1x	-3.3x	1.9x	0.3x	2.4x	3.8x	5.1x	4.9x	5.0x	5.1x	5.6x	7.1x

Source: Bloomberg, Company Filings, MFIF Analysis