

Delek US Holdings, Inc.  
Form 10-Q  
May 11, 2009

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended March 31, 2009**
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from        to**

**Commission file number 001-32868**

**DELEK US HOLDINGS, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
Incorporation or organization)*

**52-2319066**

*(I.R.S. Employer  
Identification No.)*

**7102 Commerce Way  
Brentwood, Tennessee**

*(Address of principal executive offices)*

**37027**

*(Zip Code)*

**(615) 771-6701**

*(Registrant's telephone number, including area code)*

**Not Applicable**

*(Former name, former address and former fiscal year, if changed since last report)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such

files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

		Non-accelerated filer <input type="radio"/>	
		(Do not check if a smaller reporting company)	Smaller reporting company <input type="radio"/>
Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

At May 7, 2009, there were 53,682,070 shares of common stock, \$0.01 par value, outstanding.

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**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

<u>Item 1.</u>	Financial Statements	2
	Condensed Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008 (Unaudited)	2
	Condensed Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008 (Unaudited)	3
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2009 and 2008 (Unaudited)	4
	Notes to Condensed Consolidated Financial Statements (Unaudited)	5
<u>Item 2.</u>	Management's Discussion and Analysis of Financial Condition and Results of Operations	33
<u>Item 3.</u>	Quantitative and Qualitative Disclosure about Market Risk	45
<u>Item 4.</u>	Controls and Procedures	47

**PART II. OTHER INFORMATION**

<u>Item 1A.</u>	Risk Factors	47
<u>Item 5.</u>	Other Information	47
<u>Item 6.</u>	Exhibits	49
	Signatures	
	Exhibit Index	

- EX-10.1
- EX-10.2
- EX-10.3
- EX-31.1
- EX-31.2
- EX-32.1
- EX-32.2

**Table of Contents****Part I.****FINANCIAL INFORMATION****Item 1. *Financial Statements*****Delek US Holdings, Inc.****Condensed Consolidated Balance Sheets (Unaudited)**

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
	<b>(In millions, except share and per share data)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 55.2	\$ 15.3
Accounts receivable	26.8	45.4
Inventory	81.5	80.2
Assets held for sale	10.1	20.9
Other current assets	33.2	38.8
Total current assets	206.8	200.6
Property, plant and equipment:		
Property, plant and equipment	788.7	708.9
Less: accumulated depreciation	(136.1)	(127.2)
Property, plant and equipment, net	652.6	581.7
Goodwill	77.5	77.5
Other intangibles, net	9.7	10.0
Minority investment	131.6	131.6
Other non-current assets	15.7	15.8
Total assets	\$ 1,093.9	\$ 1,017.2
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 120.2	\$ 68.0
Current portion of long-term debt and capital lease obligations	32.3	68.9
Note payable	15.0	15.0
Liabilities associated with assets held for sale	0.2	0.2
Accrued expenses and other current liabilities	31.4	34.1

Total current liabilities	199.1	186.2
Non-current liabilities:		
Long-term debt and capital lease obligations, net of current portion	269.3	202.1
Environmental liabilities, net of current portion	4.4	5.2
Asset retirement obligations	6.7	6.6
Deferred tax liabilities	69.6	71.1
Other non-current liabilities	11.9	12.2
Total non-current liabilities	361.9	297.2
Shareholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, no shares issued and outstanding		
Common stock, \$0.01 par value, 110,000,000 shares authorized, 53,682,070 shares issued and outstanding at both March 31, 2009 and December 31, 2008	0.5	0.5
Additional paid-in capital	278.8	277.8
Accumulated other comprehensive loss	(0.6)	(0.6)
Retained earnings	254.2	256.1
Total shareholders' equity	532.9	533.8
Total liabilities and shareholders' equity	\$ 1,093.9	\$ 1,017.2

See accompanying notes to the condensed consolidated financial statements

**Table of Contents****Delek US Holdings, Inc.****Condensed Consolidated Statements of Operations (Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(In millions, except share and per share data)</b>	
Net sales	\$ 352.7	\$ 1,166.1
Operating costs and expenses:		
Cost of goods sold	299.2	1,084.7
Operating expenses	44.1	54.7
Insurance proceeds – business interruption	(21.1)	
Property damage proceeds, net	(1.6)	
General and administrative expenses	14.6	13.1
Depreciation and amortization	10.2	9.0
 Total operating costs and expenses	 345.4	 1,161.5
 Operating income	 7.3	 4.6
 Interest expense	 4.7	 6.0
Interest income	(0.1)	(1.1)
Loss from equity method investment		6.5
Other expenses, net		0.8
 Total non-operating expenses	 4.6	 12.2
 Income (loss) from continuing operations before income tax expense (benefit)	 2.7	 (7.6)
Income tax expense (benefit)	1.1	(2.4)
 Income (loss) from continuing operations	 1.6	 (5.2)
(Loss) income from discontinued operations, net of tax	(1.5)	0.2
 Net income (loss)	 \$ 0.1	 \$ (5.0)
 Basic earnings per share:		
Income (loss) from continuing operations	\$ 0.03	\$ (0.10)
(Loss) income from discontinued operations	(0.03)	0.01
 Total basic earnings per share	 \$	 \$ (0.09)
 Diluted earnings per share:		
Income (loss) from continuing operations	\$ 0.03	\$ (0.10)
(Loss) income from discontinued operations	(0.03)	0.01

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Total diluted earnings per share	\$	\$	(0.09)
Weighted average common shares outstanding:			
Basic	53,682,070	53,668,058	
Diluted	54,381,893	53,668,058	
Dividends declared per common share outstanding	\$ 0.0375	\$ 0.0375	

See accompanying notes to the condensed consolidated financial statements



**Table of Contents****Delek US Holdings, Inc.****Condensed Consolidated Statements of Cash Flows (Unaudited)**

	<b>Three Months Ended March 31, 2009                  2008 (In millions, except per share data)</b>	
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 0.1	\$ (5.0)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	10.2	9.0
Amortization of deferred financing costs	1.6	1.1
Accretion of asset retirement obligations	0.1	0.3
Deferred income taxes	(1.1)	2.9
Loss from equity method investment		6.5
Loss on interest rate derivative instruments		0.8
Loss on sale of assets held for sale	1.3	
Stock-based compensation expense	1.0	0.9
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	18.6	(34.5)
Inventories and other current assets	6.3	(2.1)
Accounts payable and other current liabilities	49.5	86.9
Non-current assets and liabilities, net	(0.1)	(6.4)
Net cash provided by operating activities	87.5	60.4
<b>Cash flows from investing activities:</b>		
Purchases of short-term investments		(472.8)
Sales of short-term investments		517.2
Purchases of property, plant and equipment	(80.8)	(35.8)
Proceeds from sale of assets held for sale	7.1	
Net cash (used in) provided by investing activities	(73.7)	8.6
<b>Cash flows from financing activities:</b>		
Proceeds from long-term revolvers	121.7	138.6
Payments on long-term revolvers	(36.3)	(161.0)
Payments on debt and capital lease obligations	(54.8)	(9.9)
Dividends paid	(2.0)	(2.0)
Deferred financing costs paid	(2.5)	(0.1)
Net cash provided by (used in) financing activities	26.1	(34.4)
Net increase in cash and cash equivalents	39.9	34.6
Cash and cash equivalents at the beginning of the period	15.3	105.0

Cash and cash equivalents at the end of the period	\$ 55.2	\$ 139.6
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**Supplemental disclosures of cash flow information:**

Cash paid during the period for:

Interest, net of capitalized interest of \$0.8 and \$1.2 in the 2009 and 2008 periods, respectively	\$ 1.5	\$ 3.9
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Income taxes	\$	\$
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See accompanying notes to the condensed consolidated financial statements

**Table of Contents**

**Delek US Holdings, Inc.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**1. General**

Delek US Holdings, Inc. (Delek, we, our or us) is the sole shareholder of MAPCO Express, Inc. (Express), MAPCO Fleet, Inc. (Fleet), Delek Refining, Inc. (Refining), Delek Finance, Inc. (Finance) and Delek Marketing & Supply, Inc. (Marketing), (collectively, the Subsidiaries).

We are a Delaware corporation formed in connection with our acquisition in May 2001 of 198 retail fuel and convenience stores from a subsidiary of the Williams Companies. Since then, we have completed several other acquisitions of retail fuel and convenience stores. In April 2005, we expanded our scope of operations to include complementary petroleum refining and wholesale and distribution businesses by acquiring a refinery in Tyler, Texas. We initiated operations of our marketing segment in August 2006 with the purchase of assets from Pride Companies LP and affiliates (Pride Acquisition). Delek and Express were incorporated during April 2001 in the State of Delaware. Fleet, Refining, Finance, and Marketing were incorporated in the State of Delaware during January 2004, February 2005, April 2005 and June 2006, respectively.

Delek US is listed on the New York Stock Exchange under the symbol DK. Approximately 26.5% of our outstanding shares are available in the public market. Our remaining outstanding shares are beneficially owned by Delek Group Ltd. (Delek Group) located in Natanya, Israel.

**2. Accounting Policies**

***Basis of Presentation***

The condensed consolidated financial statements include the accounts of Delek and its wholly-owned subsidiaries. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted, although management believes that the disclosures are adequate to make the financial information presented not misleading. Our unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis with those of the annual audited financial statements included in our Annual Report on Form 10-K and in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). These unaudited, condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended December 31, 2008 included in our Annual Report on Form 10-K filed with the SEC on March 9, 2009.

In the opinion of management, all adjustments necessary for a fair presentation of the financial position and the results of operations for the interim periods have been included. All significant intercompany transactions and account balances have been eliminated in consolidation. All adjustments are of a normal, recurring nature. Operating results for the interim period should not be viewed as representative of results that may be expected for any future interim period or for the full year.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Segment Reporting***

Delek is a diversified energy business focused on petroleum refining, wholesale sales of refined products and retail marketing. Management views operating results in primarily three segments: refining, marketing and retail. The refining segment owns a high conversion, independent refinery in Tyler, Texas. The marketing segment sells refined products on a wholesale basis in west Texas through company-owned and third-party

**Table of Contents**

**Delek US Holdings, Inc.**

**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

operated terminals. The retail segment markets gasoline, diesel and other refined petroleum products, and convenience merchandise through a network of 457 company-operated retail fuel and convenience stores. Additionally, we operated 12 retail fuel and convenience stores that were classified as held for sale and included as discontinued operations as of March 31, 2009. Segment reporting is more fully discussed in Note 10.

***Discontinued Operations***

In December 2008, we met the requirements under the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144) to classify our retail segment's Virginia division (Virginia stores) as a group of assets held for sale. The fair value assessment of these assets, performed in the fourth quarter of 2008, did not result in an impairment. We have ceased depreciation of these assets. We sold 12 of the 36 Virginia stores during December 2008 and an additional 12 of the Virginia stores during the first quarter of 2009. We expect that we will dispose of the remaining stores in 2009.

***Reclassifications***

Having classified the Virginia stores as assets held for sale, the condensed consolidated balance sheets for all periods presented have been reclassified to reflect net assets held for sale and net liabilities associated with assets held for sale. The statements of operations for all periods presented have been reclassified to reflect the results of the Virginia stores as income from discontinued operations, net of taxes.

***Cash and Cash Equivalents***

Delek maintains cash and cash equivalents in accounts with large, national financial institutions and retains nominal amounts of cash at the convenience store locations as petty cash. All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents. As of March 31, 2009, these cash equivalents consisted primarily of overnight investments in U.S. Government obligations and bank repurchase obligations collateralized by U.S. Government obligations.

***Investments***

Our auction rate investment, totaling \$5.6 million, held four quarterly auctions in 2008 and one in the first quarter of 2009 which were not fully subscribed. During 2008, we reclassified this investment from short-term investments to other non-current assets. The underlying security for this investment was Merrill Lynch non-cumulative preferred stock. In the first quarter of 2009, the Merrill Lynch non-cumulative preferred stock was converted into Bank of America preferred stock, Series 5 per a Merger Plan and Form S-4 Registration Statement filed by Bank of America on October 1, 2008. The auction rate investment is rated at an investment grade level of Baa1 by Moody's and at a BB-grade by Standard & Poor's as of March 31, 2009 and has continued to pay interest.

***Accounts Receivable***

Accounts receivable primarily represent receivables related to credit card sales, receivables from vendor promotions and trade receivables generated in the ordinary course of business. All accounts receivable amounts are considered to

be fully collectible.

***Inventory***

Refinery inventory consists of crude oil, refined products and blendstocks which are stated at the lower of cost or market. Cost is determined under the last-in, first-out (LIFO) valuation method. Cost of crude oil,

**Table of Contents**

**Delek US Holdings, Inc.**

**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

refined product and blendstock inventories in excess of market value are charged to cost of goods sold. Such changes are subject to reversal in subsequent periods, not to exceed LIFO cost, if prices recover.

Marketing inventory consists of refined products which are stated at the lower of cost or market on a first-in, first-out (FIFO) basis.

Retail merchandise inventory consists of gasoline, diesel fuel, other petroleum products, cigarettes, beer, convenience merchandise and food service merchandise. Fuel inventories are stated at the lower of cost or market on a FIFO basis. Non-fuel inventories are stated at estimated cost as determined by the retail inventory method.

***Property, Plant and Equipment***

Assets acquired by Delek, prior to the adoption of SFAS No. 141 *Business Combinations* (Revised) (SFAS 141R) on January 1, 2009, in conjunction with acquisitions are recorded at estimated fair market value in accordance with the purchase method of accounting as prescribed in SFAS No. 141, *Business Combinations* (SFAS 141). Other acquisitions of property and equipment are carried at cost. Betterments, renewals and extraordinary repairs that extend the life of the asset are capitalized. Maintenance and repairs are charged to expense as incurred. Delek owns certain fixed assets on leased locations and depreciates these assets and asset improvements over the lesser of management's estimated useful lives of the assets or the remaining lease term.

Depreciation is computed using the straight-line method over management's estimated useful lives of the related assets, which are as follows:

Automobiles	3-5 years
Computer equipment and software	3-10 years
Refinery turnaround costs	4 years
Furniture and fixtures	5-15 years
Retail store equipment	7-15 years