Delek US Holdings, Inc.
Form 10-K
March 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2011

OR

o 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	52-2319066
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7102 Commerce Way Brentwood, Tennessee	37027
(Address of principal executive offices)	(Zip Code)

(615) 771-6701
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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 (Section

232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments of this Form 10-K. o

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):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

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

The aggregate market value of the common stock held by non-affiliates as of June 30, 2011 was approximately $271,711,328, based upon the closing sale price of the registrant's common stock on the New York Stock Exchange on that date. For purposes of this calculation only, all directors, officers subject to Section 16(b) of the Securities Exchange Act of 1934, and 10% stockholders are deemed to be affiliates.

At March 2, 2012, there were 58,158,971 shares of the registrant's common stock, $.01 par value, outstanding.

Documents incorporated by reference
Portions of the registrant's definitive Proxy Statement to be delivered to stockholders in connection with the 2012 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2011, are incorporated by reference into Part III of this Form 10-K.

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Unless otherwise indicated or the context requires otherwise, the terms “Delek,” “we,” “our,” “Company” and “us” are used in this report to refer to Delek US Holdings, Inc. and its consolidated subsidiaries. See also "Glossary of Terms" included in Item 1, Business, of this Annual Report on Form 10-K for definitions of certain business and industry terms used herein.

Statements in this Annual Report on Form 10-K, other than purely historical information, including statements regarding our plans, strategies, objectives, beliefs, expectations and intentions are forward looking statements. These forward looking statements generally are identified by the words “may,” “will,” “should,” “could,” “would,” “predicts,” “inten “believes,” “expects,” “plans,” “scheduled,” “goal,” “anticipates,” “estimates” and similar expressions. Forward- looking stater are based on current expectations and assumptions that are subject to risks and uncertainties, including those discussed below and in Item 1A, Risk Factors, which may cause actual results to differ materially from the forward-looking statements. See also “Forward-Looking Statements” included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 1, Business, of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

Company Overview

We are an integrated energy business focused on petroleum refining, the wholesale distribution of refined products and convenience store retailing. Delek US Holdings, Inc. ("Holdings"), a Delaware corporation formed in 2001, is the sole stockholder or member of MAPCO Express, Inc. (“Express”), MAPCO Fleet, Inc. (“Fleet”), Delek Refining, Inc. (“Refining”), Delek Finance, Inc. (“Finance”), Delek Marketing & Supply, Inc. (“Marketing”), Lion Oil Company ("Lion Oil") and Paline Pipeline Company, LLC ("Paline"). Our business consists of three operating segments: refining, marketing and retail. Our refining segment operates independent refineries in Tyler, Texas and El Dorado, Arkansas with a combined design crude distillation capacity of 140,000 bpd, along with product distribution terminals and associated logistics assets. Our marketing segment sells refined products on a wholesale basis in the Gulf Coast and Mid-Continent regions through company-owned and third-party terminals and transports and stores crude oil for our refining segment, as well as third parties, through company owned pipelines. Our retail segment markets gasoline, diesel, other refined petroleum products and convenience merchandise through a network of approximately 377 company-operated retail fuel and convenience stores located in Alabama, Arkansas, Georgia, Kentucky, Mississippi, Tennessee and Virginia.

We are a controlled company under the rules and regulations of the New York Stock Exchange where our shares are traded under the symbol “DK.” As of December 31, 2011, approximately 68.5% of our outstanding shares were beneficially owned by Delek Group Ltd. (“Delek Group”), a conglomerate that is domiciled and publicly traded in Israel. Delek Group owns significant interests in energy-related businesses and is controlled indirectly by Mr. Itshak Sharon (“Tshuva”).

Acquisitions

Acquisition Strategy

Historically, strategic acquisitions have been an important component of our overall growth strategy. We continually review potential acquisitions and other growth opportunities in the refining, marketing, retail fuel and convenience store markets, as well as opportunities to acquire assets related to distribution logistics, such as pipelines, terminals and fuel storage facilities and may make acquisitions as we deem appropriate. In addition, we regularly assess the continued viability of our asset mix, reviewing it for asset profitability, market saturation and, in our retail segment, quality brand image.

Please see Item 1A, Risk Factors, of this Annual Report on Form 10-K for a description of the risks and uncertainties that are inherent in our acquisition strategy, as the occurrence of any of the events or circumstances described therein could have a material adverse effect on our business, results of operations or financial condition.

Since 2001, we have completed the acquisition of two independent refineries representing approximately 140,000 bpd of production capacity, seven convenience store chains, several hundred miles of crude oil and finished product pipelines and gathering systems, and multiple product distribution terminals near the Gulf Coast and Mid-Continent regions. Our principal acquisitions since inception are summarized below.

Date	Acquired Company/Assets	Acquired From	Approximate Purchase Price[1]
May 2001	MAPCO Express, Inc., with 198 retail fuel and convenience stores	Williams Express, Inc.	$162.5 million
June 2001	36 retail fuel and convenience stores in Virginia	East Coast Oil Corporation	$40.1 million
February 2003	Seven retail fuel and convenience stores	Pilot Travel Centers	$11.9 million
April 2004	Williamson Oil Co., Inc., with 89 retail fuel and convenience stores in Alabama, and a wholesale fuel and merchandise operation	Williamson Oil Co., Inc.	$19.8 million, plus assumed debt of $28.6 million
April 2005	Refinery, pipeline and other refining, product terminal and crude oil pipeline assets located in and around Tyler, Texas, including physical inventories of crude oil, intermediates and light products	La Gloria Oil and Gas Company	$68.1 million, including $25.9 million of prepaid crude inventory and $38.4 million of assumed crude vendor liabilities
December 2005	21 retail fuel and convenience stores, a network of four dealer-operated stores, four undeveloped lots and inventory in the Nashville, Tennessee area	BP Products North America, Inc.	$35.5 million
July 2006	43 retail fuel and convenience stores located in Georgia and Tennessee	Fast Petroleum, Inc. and affiliates	$50.0 million, including $0.1 million of cash acquired
August 2006	Refined petroleum product terminals, seven pipelines, storage tanks, idle oil refinery equipment and rights under supply contracts	Pride Companies, L.P. and affiliates	$55.1 million
April 2007	107 retail fuel and convenience stores located in northern Georgia and southeastern Tennessee	Calfee Company of Dalton, Inc. and affiliates	$71.8 million, including $0.1 million of cash acquired
April 2011 - October 2011	Lion Oil Company, with a refinery, pipeline and other refining, product terminal and crude oil pipeline assets in and around El Dorado, Arkansas, and product terminals in Memphis and Nashville, Tennessee	Ergon, Inc. and other stockholders	$228.7 million
December 2011	Paline Pipeline Company, LLC, with a 185-mile pipeline system	Ergon Terminaling, Inc.	$50.0 million
January 2012	The Nettleton Pipeline, a 35 miles long, eight and ten inch pipeline system	Plains Marketing, L.P.	$12.3 million

February 2012	The Big Sandy Terminal, a light petroleum products terminal and eight and five-eighths inch diameter Hopewell - Big Sandy Pipeline originating at Hopewell Junction, Texas and terminating at the Big Sandy Station in Big Sandy, Texas	Sunoco Pipeline L.P. and Sunoco Partners Marketing & Terminals, L.P.	$11.0 million

(1) Excludes transaction costs

During 2011, we completed the acquisitions of Lion Oil, a privately held Arkansas corporation, and Paline. Each acquisition is discussed in more detail below.

Lion Oil Acquisition

In 2007, we acquired approximately 34.6% of the issued and outstanding shares of common stock, par value $0.10 per share, of Lion Oil . In April 2011, we acquired an additional 53.7% of the issued and outstanding shares of common stock of Lion Oil from the then majority stockholder, Ergon, Inc. ("Ergon"). In October 2011, we acquired the remaining equity interests in Lion Oil, thereby assuming full equity ownership of Lion Oil.

Through Lion Oil, we currently own and operate the following assets:

- An 80,000 bpd refinery located in El Dorado, Arkansas;
- an 80-mile Magnolia to El Dorado crude oil transportation system that runs between Shreveport, Louisiana and the Magnolia crude terminal (west of the El Dorado refinery);
- a 28-mile El Dorado crude oil transportation system that runs from the Magnolia terminal to the El Dorado refinery, as well as two associated product pipelines which connect the El Dorado refinery to the Enterprise Pipeline system;
- a crude oil gathering system with approximately 600 miles of operable pipeline;
- three light product distribution terminals located in Memphis and Nashville, Tennessee and El Dorado, Arkansas; and
- an asphalt distribution terminal located in El Dorado, Arkansas

Our acquisition of Lion Oil was a critical strategic development in our ongoing effort to become an integrated downstream energy company. Some of the related opportunities resulting from this transaction include, but are not limited to, the following:

Opportunity for increased integration between our refining, wholesale and retail distribution channels. Given the El Dorado refinery's ability to supply a portion of our convenience store network in Arkansas and Tennessee, we intend to pursue a strategy where our refining segment will supply higher portions of our retail segment. The El Dorado refinery is equipped with two product pipelines, one gasoline and one diesel, that connect the refinery tank farm to a junction point on the Enterprise Pipeline System. Through the Enterprise Pipeline system, the El Dorado refinery is able to directly supply Lion Oil's light products terminal in Memphis, Tennessee and beyond. The El Dorado refinery also has the ability to indirectly supply Lion Oil's light products terminal in Nashville, Tennessee through product exchange agreements. Longer-term, we intend to pursue a strategy that may include the construction of new convenience store locations that can be supplied directly by the El Dorado refinery. We believe this strategy would allow us to capitalize further on potential supply chain synergies.

Opportunity to limit risks associated with operating a single refinery. Prior to our majority equity investment in Lion Oil, we owned and operated a single refinery located in Tyler, Texas. Consequently, the performance of the refining segment hinged entirely on the operational performance of the Tyler refinery. With the addition of a second refining asset, we have diversified our asset-specific risk.

Opportunity to increase our total refining production capacity. As the sole owner of Lion Oil, we have operational control of the Lion Oil assets, including the El Dorado refinery. On a combined, post-transaction basis, our total production capacity increased to approximately140,000 bpd, compared to 60,000 bpd prior to the transaction. By more than doubling the production capacity of our refining segment, we have increased our exposure to the refining markets.

Opportunity to realize increased crude procurement efficiencies. With crude procurement operations for two regional refineries under our control, our feedstock sourcing options increased, allowing for greater efficiency. With the addition of the El Dorado refinery, we are responsible for procuring increased quantities of crude oil from a wide array of domestic, domestic offshore and foreign crude sources. We believe our access to a broader mix of crude oil types and prices represents a distinct competitive advantage for us as we seek to maintain a high level of crude slate flexibility.