Delek Logistics Partners (DKL)

Updated March 1st, 2025 by Samuel Smith

Key Metrics

Current Price:	$43	**5 Year CAGR Estimate:**	14.4%	**Market Cap:**	$2.1B
Fair Value Price:	$50	**5 Year Growth Estimate:**	4.2%	**Ex-Dividend Date:**	5/4/2025[1]
% Fair Value:	86%	**5 Year Valuation Multiple Estimate:**	3.0%	**Dividend Payment Date:**	5/11/2025[2]
Dividend Yield:	10.3%	**5 Year Price Target**	$61	**Years Of Dividend Growth:**	10
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**Rating:**	Buy

Overview & Current Events

Delek Logistics Partners, LP (NYSE: DKL) is a publicly traded master limited partnership (MLP) headquartered in Brentwood, Tennessee. Established in 2012 by Delek US Holdings, Inc. (NYSE: DK), Delek Logistics owns and operates a network of midstream energy infrastructure assets. These assets include approximately 850 miles of crude oil and refined product transportation pipelines and a 700-mile crude oil gathering system, primarily located in the southeastern United States and west Texas. The company's operations are integral to Delek US's refining activities, particularly supporting refineries in Tyler, Texas, and El Dorado, Arkansas. Delek Logistics provides services such as gathering, transporting, and storing crude oil, as well as marketing, distributing, and storing refined products for both Delek US and third-party customers.

On February 25, 2025, Delek Logistics Partners (DKL) reported its financial results for the fourth quarter of 2024. The company achieved an adjusted EBITDA of approximately $107.2 million, an increase from $100.9 million in the same period of the previous year. Distributable cash flow was $69.5 million, with a coverage ratio of approximately 1.2 times. The Gathering and Processing segment saw an adjusted EBITDA of $66 million, up from $53.3 million in Q4 2023, primarily due to higher throughput from Permian Basin assets and contributions from the H2O Midstream acquisition. The Storage and Transportation segment reported an adjusted EBITDA of $17.8 million, slightly higher than the $17.5 million in the prior year, driven by increased storage and transportation rates. Additionally, investments in pipeline joint ventures contributed $11.3 million this quarter, up from $8.5 million in Q4 2023, mainly due to the Wink to Webster pipeline acquisition. DKL announced its 48th consecutive quarterly distribution increase, raising the quarterly distribution to $1.10 per unit. Looking ahead, the company has set an EBITDA guidance of $480 million to $520 million for 2025, indicating a projected 20% growth. Planned investments include approximately $75 million to complete the Libby processing plant expansion and around $160 million for growth and maintenance projects. Additionally, the Board of Directors has authorized a $150 million buyback from its sponsor, Delek US Holdings, to enhance value for DKL unitholders.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
DCFPU	$3.34	$3.62	$3.49	$4.98	$5.20	$6.18	$4.96	$5.01	$5.69	$5.63	***$5.54***	***$6.80***
DPS	$2.24	$2.58	$2.84	$3.12	$3.44	$3.61	$3.79	$3.98	$4.16	$4.37	***$4.42***	***$4.79***
Shares	24.3	24.3	24.4	24.4	24.4	24.4	43.5	43.6	43.6	51.5	***51.5***	***50.0***

DKL has a solid growth profile, with analysts currently projecting a 5% DCF per unit CAGR over the next half decade, as the company plans to leverage a combination of strategic acquisitions, organic growth projects, and unit repurchases. Current initiatives include increasing profits from sour natural gas treating and acid gas injection capabilities, integrating recent acquisitions such as Gravity Water Midstream, and a recently announced $150 million unit repurchase program. Given that the distribution payout ratio has gotten a bit elevated, it is likely that the distribution will grow meaningfully

[1] Estimated

[2] Estimated

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

slower than the DCF per unit. As a result, we expect a 4.2% DCF per unit CAGR and a 1.6% distribution per unit CAGR through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg P/D	9.3	8.0	9.5	7.0	7.9	5.2	8.5	9.4	7.7	7.5	***7.8***	***9.0***
Avg. Yld.	7.2%	8.9%	8.6%	8.9%	8.4%	11.3%	9.0%	8.5%	9.5%	10.4%	***10.3%***	***7.8%***

Given the decent growth profile, we think that a 9.0x P/DCF ratio is a good approximation of fair value. This means that DKL is meaningfully undervalued right now and should enjoy valuation multiple expansion tailwinds in the coming years, boosting its total returns alongside its attractive distribution and DCF per unit growth in the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

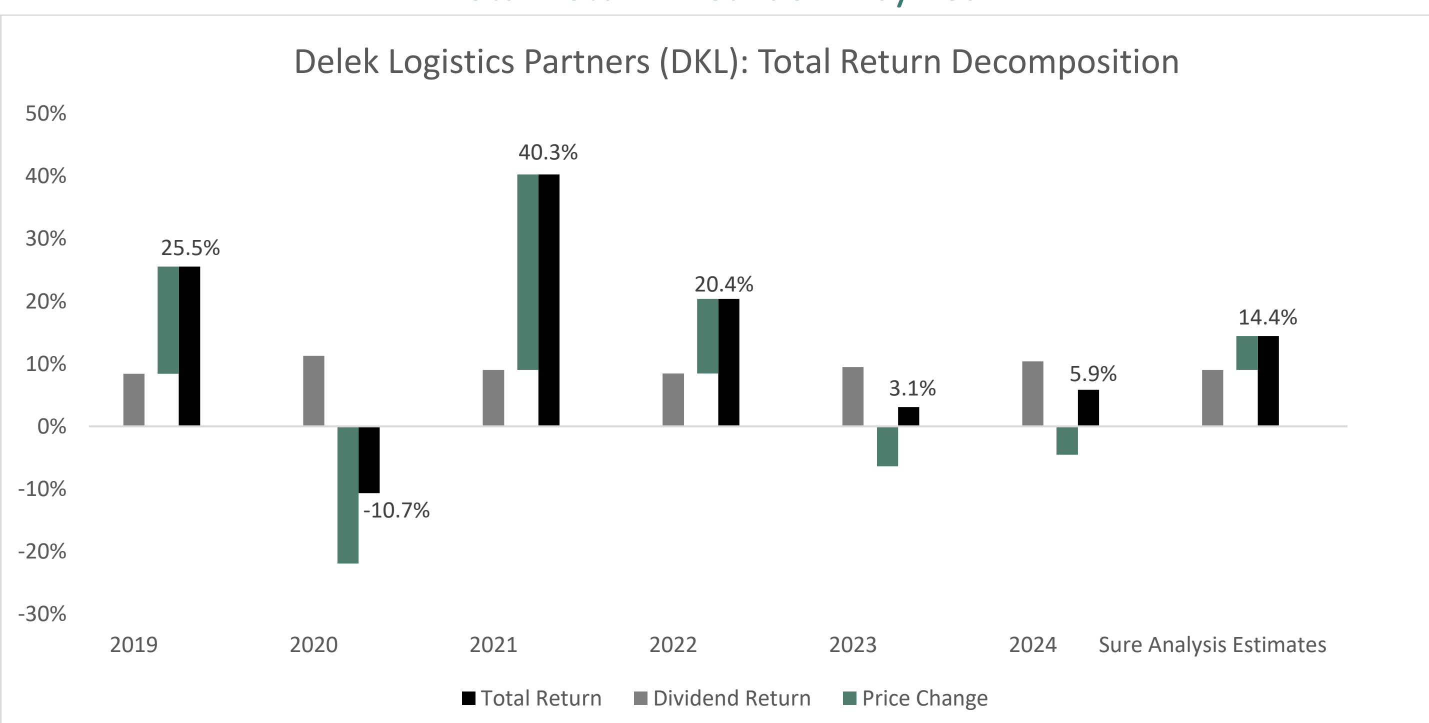
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	67%	71%	81%	63%	66%	58%	76%	79%	73%	78%	***80%***	***70%***

DKL maintains a competitive advantage through its strategic asset base, including an extensive network of pipelines, terminals, and storage facilities, complemented by strong customer relationships and strategic partnerships. DKL has modest exposure to fluctuations in commodity and refined product prices, primarily when it takes ownership of these products. However, direct commodity price exposure is limited, suggesting a degree of insulation from market volatility. DKL has a moderate amount of leverage and is actively working to reduce it.

Final Thoughts & Recommendation

Between its sky-high distribution yield, solid growth profile, and expected valuation multiple expansion in the coming years, we expect DKL to generate 14.4% annualized total returns, making it an attractive buy right now. We especially like the double-digit yield and favorable valuation.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	590	448	538	658	584	563	701	1,036	1,020	941
Gross Profit	108	93	106	149	151	207	216	249	285	244
Gross Margin	18.4%	20.8%	19.7%	22.6%	25.9%	36.7%	30.8%	24.1%	27.9%	25.9%
SG&A Exp.	11	10	12	17	21	23	21	34	25	36
D&A Exp.	20	21	22	32	34	43	50	70	100	101
Operating Profit	77	78	88	126	126	180	190	210	254	203
Operating Margin	13.1%	17.3%	16.4%	19.1%	21.5%	31.9%	27.2%	20.2%	24.9%	21.6%
Net Profit	67	63	69	90	97	159	165	159	126	143
Net Margin	11.3%	14.0%	12.9%	13.7%	16.6%	28.3%	23.5%	15.3%	12.4%	15.2%
Free Cash Flow	48	89	70	(4)	121	180	251	45	125	75
Income Tax	(0)	0	(0)	1	1	0	0	0	1	0

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	375	416	444	625	744	956	935	1,679	1,642	2,042
Cash & Equivalents	-	0	5	5	6	4	4	8	4	5
Accounts Receivable	35	19	23	22	13	22	15	53	70	88
Inventories	10	9	21	5	13	3	2	1	2	5
Goodwill & Int. Ass.	28	27	28	150	159	172	166	392	355	294
Total Liabilities	386	429	473	759	896	1,065	1,039	1,790	1,804	2,006
Accounts Payable	11	11	19	22	21	7	73	63	26	41
Long-Term Debt	352	393	423	700	833	992	899	1,662	1,704	1,875
Shareholder's Equity	(11)	(13)	(29)	(135)	(151)	(108)	(104)	(111)	(162)	36

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	18.9%	15.9%	16.2%	16.9%	14.1%	18.7%	17.4%	12.2%	7.6%	7.7%
ROIC	22.2%	16.9%	17.0%	16.1%	12.6%	17.4%	17.4%	12.4%	7.5%	8.0%
Shares Out.	24.3	24.3	24.4	24.4	24.4	24.4	43.5	43.6	43.6	51.5
Revenue/Share	24.21	18.39	22.07	26.95	23.92	16.77	16.13	23.82	23.40	19.81
FCF/Share	1.97	3.67	2.89	(0.17)	4.97	5.35	5.78	1.05	2.87	1.57

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.