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Delek US Holdings, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Mark Miller with William Blair.

Mark Miller – William Blair and Company

Uzi, you talked about your priority towards de-leveraging the balance sheet, and can you give us some sense for where you want to get to relative to strategic opportunities you're seeing in the market place and what thresholds would those need to be at for you to want to pursue something?

Uzi Yemin

Let me divide the answer into two parts. The first one is right now we're showing roughly \$250 million net debt. You need to remember that a lot of money from the insurance claim isn't received yet. So assuming all in, I feel comfortable with net debt by the end of the year around that number, maybe a little less than that. We need to remember that the EBITDA is increasing, partially because of the first quarter being so good. Obviously, you don't see it because we didn't record anything, but the second part is that we feel very good with the crude optimization project, so for me, we should see the EBITDA increasing. Net debt of \$200 to \$250 million is something that I think is reasonable. Secondly, we always said that the max we will leverage the balance sheet with any acquisition won't be more than 2.5 times EBITDA. So if the leverage will be less than 2.5 times, which we expect this to be less than 2.5 times, we can leverage the balance sheet a little more for strategic acquisitions, but I don't see us leveraging it more than 2.5 times at this time.

Mark Miller – William Blair and Company

On the retail side, one clarification. Did the 4.5% merchandise comp sales decline represent a same-day comparison or not?

Uzi Yemin

No. It's 90 days to 91 days, so if you reduce it, it's another 1%, so it's 3.5%.

Mark Miller – William Blair and Company

Can you comment on the results from the re-imaging now 20% of the store base? How has that performed versus your expectations? Where might have it differed, and is that a meaningful factor as we look at the total comps or will it be?

Lynwood Gregory

As you are aware, at the end of 2008, we had 20% of our stores done. We currently have another 21 stores under construction here in Nashville. The prior re-imaged units for the third quarter coming to first quarter are showing a 6.5 increase in fuel compared to the rest of our stores and a 4% increase in merchandise, so we're totally pleased with their performance, and as we continue forward, we hope to do an additional 20 towards the third and fourth quarter this year.

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