

## PBF Energy

## 4Q23 First Look: tough quarter backward looking; summer operating leverage intact

Reiterate Rating: NEUTRAL | PO: 52.00 USD | Price: 52.24 USD

## EPS on weak East Coast margins

PBF's adjusted LPS of \$(0.41) missed BofAe and consensus of \$0.11 / \$0.09, respectively. A tough quarter was telegraphed on planned and unplanned downtime on the US West Coast. However, vs our estimate, the miss was weak East Coast margins (\$11.29/bbl vs \$14.84/bbl expected). C/flow (before w/c) of \$274mm beat consensus (\$177mm) with another quarter of help from deferred tax (\$127mm); note w/c was a benefit of \$59mm on total cash flow of \$306mm. Total cash flow of \$306mm covered capex (\$236mm). FCF of \$38mm left cash returns including \$125mm of share buy backs funded from the b/sheet albeit modest versus a net cash position of \$537mm (7%). Recall PBF's had 65% net debt / cap at the end of 2021. At the operating level the biggest loss (-\$121mm) was on the US West Coast, where gross margin of \$8.93/bbl was below cash opex of \$14.56/bbl. However, we see this well telegraphed ahead of the quarter although 1Q24 will also see some impacts including planned maintenance. Looking forward we see the PBF thesis caught between the greatest operating leverage in the sector to tighter market dynamics on the US West Coast, weighed against regulatory concerns in CA.

## Unplanned downtime was telegraphed

Refining EBITDA of \$155mm missed our estimate of \$261mm on weak EC margins which may relate to crude costs in light of ongoing Red Sea freight disruptions. Total gross margin of \$9.88/bbl missed our estimate of \$11.30. By region realized gross margins were: East Coast \$11.29 vs \$14.84 expected, Gulf Coast \$10.89 vs \$9.85, Mid Cont \$6.94 vs \$6.81 and West Coast at \$8.93 vs \$10.13. Total throughput of ~878 mbd was at the low end of guide 870-930 mbd due to operational issues at both Torrance and Martinez: 235mbd vs 250-270mbd guide. 1H24, throughput is guided to 830-890 mbd, down 18mbd q/q at the mid-point, due to higher planned maintenance: Del City FCC 1Q23, Toledo Hydrocracker, Udex and crude unit, and Hydrocracker at Martinez 2Q23. At the low end 1Q24 would see the lowest runs since 2Q21.

## Operating leverage intact: PO \$52 rating Neutral

In summary, 1Q23 is backward-looking but underlines sector leading operating leverage noting a \$48mm loss in 4Q23 c/w earnings power of \$2.2bn last year and our forecast of \$962mm in 2024. Note PBF's board increased its buyback authorization to \$1bn (+\$750mm), 16% of its current market value & perhaps signaling that large M&A is not planned. Including the deferred tax benefit our DCF our PO moves up slightly to \$52/sh.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(3.00)	23.92	12.93	7.92	6.20
EPS Change (YoY)	74.6%	NM	-45.9%	-38.7%	-21.7%
Consensus EPS (Bloomberg)			11.77	5.68	4.18
DPS	0	0.20	0.85	1.15	1.60
Valuation (Dec)					
P/E	NM	2.2x	4.0x	6.6x	8.4x
Dividend Yield	0%	0.4%	1.6%	2.2%	3.1%
EV / EBITDA*	6.7x	1.1x	1.1x	3.5x	4.2x
Free Cash Flow Yield*	3.6%	67.7%	9.1%	17.3%	16.6%

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Timestamp: 15 February 2024 09:07AM EST

15 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	51.00	52.00

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## Stock Data

Price	52.24 USD
Price Objective	52.00 USD
Date Established	15-Feb-2024
Investment Opinion	C-2-7
52-Week Range	31.26 USD - 56.38 USD
Mkt Val (mn) / Shares Out (mn)	6,384 USD / 122.2
Free Float	86.7%
Average Daily Value (mn)	122.19 USD
BofA Ticker / Exchange	PBF / NYS
Bloomberg / Reuters	PBF US / PBF.N
ROE (2023E)	25.3%
Net Dbt to Eqty (Dec-2022A)	-5.3%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

FCC – Fluid catalytic cracker

Udex - reformat processing unit

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

# iQprofile<sup>SM</sup> PBF Energy

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	7.2%	41.7%	26.5%	10.1%	7.6%
Return on Equity	-21.8%	97.3%	25.3%	10.7%	7.8%
Operating Margin	2.3%	8.9%	11.0%	NA	NA
Free Cash Flow	228	4,319	579	1,105	1,061

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	1.6x	0.7x	1.6x	1.8x
Asset Replacement Ratio	0.5x	0.9x	1.1x	0.7x	0.4x
Tax Rate	6.6%	16.4%	25.2%	26.0%	26.0%
Net Debt-to-Equity Ratio	128.3%	-5.3%	-5.5%	-6.7%	-7.0%
Interest Cover	2.0x	16.9x	44.4x	12.1x	9.2x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	27,252	46,830	27,610	NA	NA
% Change	74.8%	71.8%	-41.0%	-100.0%	NA
Gross Profit	3,425	7,781	3,999	NA	NA
% Change	159.9%	127.2%	-48.6%	NA	NA
EBITDA	1,019	6,228	6,121	1,963	1,632
% Change	36.6%	511.4%	-1.7%	-67.9%	-16.9%
Net Interest & Other Income	(270)	(596)	(71)	(117)	(118)
<b>Net Income (Adjusted)</b>	<b>(365)</b>	<b>3,037</b>	<b>1,688</b>	<b>962</b>	<b>717</b>
<b>% Change</b>	<b>74.3%</b>	<b>NM</b>	<b>-44.4%</b>	<b>-43.0%</b>	<b>-25.5%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(365)	3,037	1,687	962	717
Depreciation & Amortization	484	534	599	545	546
Change in Working Capital	269	341	(1,187)	0	0
Deferred Taxation Charge	0	420	416	0	0
Other Adjustments, Net	90	440	(317)	3	3
Capital Expenditure	(249)	(453)	(620)	(405)	(205)
<b>Free Cash Flow</b>	<b>228</b>	<b>4,319</b>	<b>579</b>	<b>1,105</b>	<b>1,061</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>-86.6%</b>	<b>90.7%</b>	<b>-4.0%</b>
Share / Issue Repurchase	(39)	(500)	(498)	(460)	(460)
Cost of Dividends Paid	0	(25)	(106)	(132)	(176)
Change in Debt	(254)	(2,233)	(695)	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,340	2,202	1,736	1,864	1,904
Trade Receivables	1,278	1,456	1,583	1,583	1,583
Other Current Assets	2,580	2,886	3,445	3,445	3,445
Property, Plant & Equipment	4,902	5,361	4,949	5,194	5,238
Other Non-Current Assets	1,540	1,642	2,850	2,850	2,850
<b>Total Assets</b>	<b>11,640</b>	<b>13,547</b>	<b>14,563</b>	<b>14,936</b>	<b>15,020</b>
Short-Term Debt	0	524	0	0	0
Other Current Liabilities	3,812	4,723	4,393	4,393	4,393
Long-Term Debt	4,296	1,435	1,243	1,243	1,243
Other Non-Current Liabilities	1,234	2,316	0	0	0
<b>Total Liabilities</b>	<b>9,342</b>	<b>8,998</b>	<b>5,636</b>	<b>5,636</b>	<b>5,636</b>
<b>Total Equity</b>	<b>2,303</b>	<b>4,554</b>	<b>8,927</b>	<b>9,300</b>	<b>9,385</b>
<b>Total Equity &amp; Liabilities</b>	<b>11,645</b>	<b>13,552</b>	<b>14,563</b>	<b>14,936</b>	<b>15,020</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Oil Refining & Marketing

## Company Description

PBF Energy (PBF) is an independent refiner that produces various refined products including gasoline and diesel. PBF owns and operates six refineries across the US. PBF has 975 mb/d of total throughput capacity.

## Investment Rationale

The basis of our Neutral Rating is limited upside to fair value under our current crack spread assumptions.

## Stock Data

Average Daily Volume 2,338,926

## Quarterly Earnings Estimates

	2022	2023
Q1	0.35A	3.86A
Q2	10.58A	2.29A
Q3	7.96A	6.60E
Q4	4.97A	0.11E



# Earnings Variance

The table below compares actual 4Q23 results with our estimate and prior periods.

## Exhibit 1: Earnings Variance

Adjusted EPS of \$(0.41) missed consensus and BofA of \$0.09 / \$0.11 respectively.

	4Q23	4Q23E	3Q23A	Q/Q	4Q22A	Y/Y
Refining	27	126	1,176	-89%	914	-86%
Midstream	-	-	-	NM	-	NM
Midstream	55	48	50	-4%	43	10%
<b>Total Segment EBT</b>	82	174	1,225	-86%	957	-82%
<i>Items not allocated to segments</i>						
Corporate & other unallocated items	(129)	(125)	(148)	16%	(2)	-7253%
Other	-	-	-	-	-	-
<b>Income from Operations</b>	(47)	49	1,077	-95%	956	-95%
Net Interest Expense	(9)	(29)	(23)	-30%	(29)	0%
Other Non-Op Expenses	2	-	82	-	(2)	-
<b>Earnings Before Tax</b>	(54)	20	1,136	-98%	925	-98%
Income Tax Expense	(5)	5	277	-98%	269	-98%
Tax rate	10%	26%	24%	7%	29%	-10%
Income (loss) from continuing ops.	(48)	15	859	-98%	656	-98%
Add Income (loss) from discontinued ops.	-	-	-	-	-	-
Net Income (loss)	(48)	15	859	-98%	656	-98%
Less income attributable to Redeemable NCI	-	-	-	-	-	-
Less income attributable to NCI	-	-	-	NM	18	-100%
<b>Adjusted Net Income to PBF</b>	(48)	15	859	-98%	638	-98%
Adjusted EPS	(\$0.41)	\$0.11	\$6.62	-98%	\$4.83	-98%

Source: BofA Global Research

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## Price objective basis & risk

### PBF Energy (PBF)

Our price objective (PO) of \$52/share is based on an assessed discounted cash flow (DCF) value treating the assets as annuities after deducting maintenance capital. We use a long term Gulf Coast 321 crack spread in our benchmark assumptions of \$11.50/barrel, a long-term crude differential of \$3.5, a weighted-average cost of capital (WACC) of 9.50%, a zero terminal growth rate, and a 26% corporate tax rate.

Upside risks to our PO are if crude spreads and crack spreads remain above our expectations there could be upside to earnings and valuation. Downside risks to our PO are: if margins and crude spreads compress faster than we forecast, this could hurt earnings and shares.

## Analyst Certification

I, Doug Leggate, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	APA Corporation	APA	APA US	Doug Leggate
	Canadian Natural Resources	YCNQ	CNQ CN	Doug Leggate
	Canadian Natural Resources	CNQ	CNQ US	Doug Leggate
	Chesapeake Energy	CHK	CHK US	Doug Leggate
	Chevron Corp.	CVX	CVX US	Doug Leggate
	ConocoPhillips	COP	COP US	Doug Leggate
	Coterra Energy Inc	CTRA	CTRA US	Doug Leggate
	EQT Corporation	EQT	EQT US	John H. Abbott
	ExxonMobil Corp.	XOM	XOM US	Doug Leggate
	Granite Ridge Resources, Inc	GRNT	GRNT US	John H. Abbott
	Imperial Oil	IMO	IMO US	Doug Leggate
	Imperial Oil	YIMO	IMO CN	Doug Leggate
	Kimbell Royalty Partners	KRP	KRP US	John H. Abbott
	Occidental Petroleum Corp.	OXY	OXY US	Doug Leggate
	Ovintiv Inc	YOVV	OVV CN	Doug Leggate
	Ovintiv Inc	OVV	OVV US	Doug Leggate
	Range Resources Corp	RRC	RRC US	Doug Leggate
	Suncor	YSU	SU CN	Doug Leggate
	Suncor	SU	SU US	Doug Leggate
<b>NEUTRAL</b>				
	California Resources Corporation	CRC	CRC US	Kalei Akamine
	CNX Resources	CNX	CNX US	John H. Abbott
	Delek US Holdings, Inc.	DK	DK US	Doug Leggate
	Devon Energy Corp.	DVN	DVN US	Doug Leggate
	Diamondback Energy Inc.	FANG	FANG US	Doug Leggate
	EOG Resources	EOG	EOG US	Doug Leggate
	Gulfport Energy Corporation	GPOR	GPOR US	Doug Leggate
	HF Sinclair Corporation	DINO	DINO US	Doug Leggate
	Marathon Petroleum Company	MPC	MPC US	Doug Leggate
	PBF Energy	PBF	PBF US	Doug Leggate
	Permian Resources Corporation	PR	PR US	Doug Leggate
	Phillips 66	PSX	PSX US	Doug Leggate
	Valero Energy Corp.	VLO	VLO US	Doug Leggate
<b>UNDERPERFORM</b>				
	Chord Energy Corporation	CHRD	CHRD US	John H. Abbott
	Crescent Energy Company	CRGY	CRGY US	John H. Abbott
	Marathon Oil Corp.	MRO	MRO US	Doug Leggate



## US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	National Fuel Gas Company	NFG	NFG US	John H. Abbott
	Northern Oil and Gas	NOG	NOG US	John H. Abbott
	Vital Energy Inc	VTLE	VTLE US	John H. Abbott
<b>RSTR</b>				
	Pioneer Natural Resources	PXD	PXD US	Doug Leggate

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales  
Basic EBIT + Depreciation + Amortization

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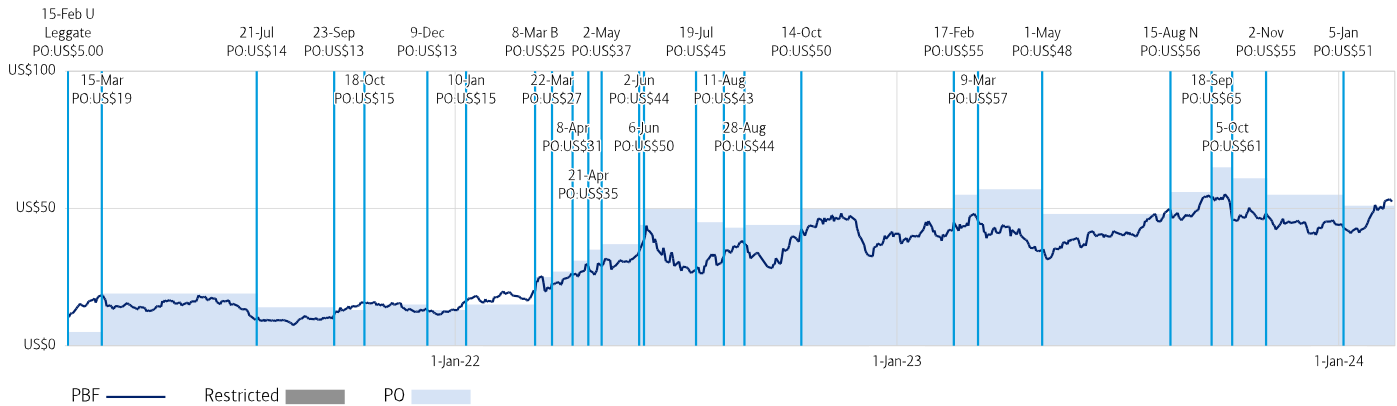
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# Disclosures

## Important Disclosures

### PBF Energy (PBF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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