

Broker Name

CREDIT SUISSE

02 January 2013
Americas/United States
Equity Research
Master Limited Partnerships / Oil & Gas Refining & Marketing

Recommendation

Company Name

Alon USA Partners LP (ALDW)

INITIATION

Well Positioned to Deliver Distributions

- **Bottom Line:** We initiate on ALDW, a variable-rate no-IDR MLP, with a Neutral rating. If margins and WTI-Brent spreads meet our forecasts, then unitholders can expect a ~15% yield in 2013 (higher at the futures curve). However, (1) the units themselves look fairly valued on our mid-cycle distribution forecasts and (2) substantial pipe is being added to narrow WTI discounts versus LLS over 2013, a key earnings driver. Given WTI-LLS spreads should compress, unitholders should pay close attention to the midcycle yield, which is 11% on our forecasts. Absolute upside from here would require a higher level of mid-cycle earnings or the market accepting a lower cost of equity (we use 11%). Although a ~19%+ pro-rated NTM yield attracts versus the MLP universe, the total return potential of ~24% is more in-line with its MLP peers, justifying our Neutral rating. (See pg. 11 for more).
- **Big Spring Is Well Positioned for Crude:** The Big Spring refinery is situated in the Permian basin, an area of strong crude production growth. Big Spring accesses local crudes on a Midland pricing basis. 4Q12 could represent a local peak in domestic crude discounts, with WTI-LLS at \$19/bbl

Target Price

Rating	NEUTRAL* [V]
Price (28 Dec 12, US\$)	22.85
Target price (US\$)	24.00 ¹
52-week price range	24.78 - 18.30
Market cap. (US\$ m)	1,428.13
Adjusted EV (US\$ m)	—

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

¹Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

Research Analysts

Edward Westlake

212 325 6751

edward.westlake@credit-suisse.com

John Edwards, CFA

713 890 1594

john.edwards@credit-suisse.com

Rakesh Advani, CFA

212 638 5084

rakesh.advani@credit-suisse.com

Bhavesh Lodaya

212 325 2337

bhavesh.lodaya@credit-suisse.com

Analyst Name

: Westlake Edward /
Edwards John /
Advani Rakesh /
Lodaya Bhavesh

Summary