



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

<sup>\*</sup>Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

<sup>1</sup>Target price is for 12 months.

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

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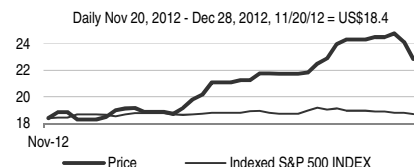
## Alon USA Partners LP <sup>(ALDW)</sup>

### 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 and Midland-Cushing at \$14/bbl below WTI. This should provide a tailwind to near-term distributable cash flow and NTM yields versus our forecasts. However, over the course of 2013, spreads should compress. Our midcycle yield is based on a WTI-LLS spread of \$5/bbl and a Midland-Cushing differential of just \$0.50/bbl. Every additional dollar from WTI-LLS or Midland-Cushing would add 1.2% to the midcycle yield.
- **Valuation:** Our distribution discount model (DDM) model supports \$24/unit at an 11.0% cost of capital. Were margins to remain strong in 2013, there would be upside to fair value toward \$26+/unit and an attractive near-term yield. We note that most of the DDM value is based on midcycle distributions.

#### Share price performance



On 12/28/12 the S&P 500 INDEX closed at 1410.41

DCF/LP Unit	Q1	Q2	Q3	Q4
2011A	—	—	—	—
2012E	—	—	—	2.04
2013E	1.20	1.11	0.89	0.44

#### Financial and valuation metrics

Year	12/11A	12/12E	12/13E	12/14E
EBITDA (US\$ m)	371	481	310	217
Distribution/unit - DPU (US\$ m)	—	0.93	3.63	2.47
Earnings/unit - EPU (US\$)	0	6.30	3.59	2.08
EPU - consensus (US\$)	—	—	—	—
Distribution coverage (x)	—	2.19	1.00	1.00
P/DCF (x)	—	3.4	6.3	9.2
Adj. current EV/EBITDA (x)	—	—	—	—
DPU (US\$)	3.72	Distribution yld (%)		16.3
Units outstanding (m)	63	GP take (%)		—
Net debt current (US\$ m)	274.5	Net debt/EBITDA (x)		0.57
6-month ADV (000's)	186	Net debt/market cap. (%)		—
Free float (%)	—	Institutional ownership (%)		—

Source: Company data, Credit Suisse estimates.

**DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S. ANALYSTS.** US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.