

Tesoro (TSO)

Price:	\$41.40
Market Cap:	\$5,779,440,000
Cash:	\$1,367,000,000
Debt:	\$1,302,000,000
Net Cash:	\$65,000,000
Enterprise Value:	\$5,714,440,000
Target Market Cap:	\$9,360,141,966
Target Enterprise Value:	\$9,295,141,966

Price/Book:	1.31
EV/FCF:	14.61
Net Tang. Asset/Share:	\$31.16
Avg. Year 1-5 FCF/Share:	\$4.10
5 Years of FCF:	\$20.50
Net Tang. Asset+5 FCF:	\$51.66

Net Tang. Asset Yr. 5/Share:	\$46.55
Avg. Year FCF/Share:	\$4.10
Year 5 Disposition FCF Multiple:	5.0
Year 5 Disposition Price:	\$67.05
Gain Year 5:	\$15.39

Net Tang. Asset+5 FCF+ Gain Disposition:	\$67.05
IRR:	10.12%

Assumed Deal Details

Debt	60.00%	\$3,467,664,000
Equity	40.00%	\$2,311,776,000
Shares Outstanding		139,600,000

Levered Return

New market cap in 5 years	\$9,360,141,966
Nominal Gain for Equity	\$3,580,701,966
Levered Equity Return	20.58%

Dan Loeb from Third Point mentioned this stock in his investor letter. MBPD = thousands barrel/day (comes from Latin "mille" meaning thousand) and BBL = barrel and 42 gallons/barrel

The co. owns 7 petroleum refineries located in Western US, and sells the refined products to customers. Capacity of 665 thousand barrels/day and output is 87% of capacity. Split 50/50 for domestic/foreign sales. The refineries turn crude oil and refines it into 1) gasoline, 2) jet fuel, 3) diesel fuel, 4) heavy fuel oils.

Business model entails 1) procurement of crude oil from Russia, South America, Canada as well as domestic sources, 2) refine the products in the refineries, 3) selling to customers. Main costs include 2) cost of purchasing crude oil and related transportation, storage fees, 2) cost of operating the refinery and related costs, 3) marketing the refined products through sales people and holding the refined products.

Main refined products are gasoline and diesel fuel (70% of sales). The company operates 376 retail gas stations and sells gas to 799 stations for third party retailers. \$5 B revenue from the gas stations. \$3/gallon to third party and \$3.75/gallon through the company operated stations. Growing retail business by acquiring 290 stations between 2012 and 2014, 50 located broadly in Western US and 240 in So. Cal. The co. states a \$0.19/gallon margin for retail gasoline sales.

285 MBPD refined yield, so 4.26B gallons. If sold at \$3.00/gallon, then \$12.75 B in revenue from gasoline.

The remaining \$25 B in revenue came from non-retail sales. \$121 /barrel sales price and costs \$109/barrel, or a \$11/barrel margin.

Therefore, each barrel they can yield from throughput (input material), then they will get \$11 more to go toward operation cost.

Cost of debt runs around 7%.

Main concern is the revenue collapse back in 2008. Why did revenue drop 40%?

Tesoro Corporation was incorporated in Delaware in 1968. Based in San Antonio, Texas, we are one of the largest independent petroleum refiners and marketers in the United States. Our subsidiaries, operating through two business segments, primarily manufacture and sell transportation fuels. Our refining operating segment ("refining"), which operates seven refineries in the western United States, refines crude oil and other feedstocks into transportation fuels, such as gasoline and gasoline blendstocks, jet fuel and diesel fuel, as well as other products, including heavy fuel oils, liquefied petroleum gas, petroleum coke and asphalt. Our refineries have a combined crude oil capacity of 665 thousand barrels per day ("Mbpd"). This operating segment sells refined products in wholesale and bulk markets to a wide variety of customers within the operations area. Our retail operating segment ("retail") sells transportation fuels and convenience products in 18 states through a network of 1,175 retail stations, primarily under the Tesoro®, Shell®, and USA Gasoline™ brands.

Company Name:	Tesoro	Market Capitalization:	\$5,779,440,000.00	Revenue:	\$31,970,000,000.00	100.0%
Ticker Symbol:	TSO	Total Debt:	\$1,302,000,000.00	Cost of Goods Sold:	\$28,670,000,000.00	89.7%
Last Price:	\$41.40	Total Cash:	\$1,367,000,000.00	Gross Profit:	\$3,300,000,000.00	10.3%
Net Cash/Share:	\$0.47	Net Cash/(Debt):	\$65,000,000.00	EBITDA:	\$1,450,000,000.00	4.5%
Net Cash to Last Price:	1.12%	Enterprise Value:	\$5,714,440,000.00	Net Income:	\$592,000,000.00	1.9%
Shares Outstanding:	139,600,000	Current EV/Share:	\$40.93			
Industry:	Oil & Gas Refining & Marketing	EBITDA:	\$1,914,000,000.00			
Sector:	Energy	EV/EBITDA Multiple:	2.99	Balance Sheet		
Institutional Ownership:	#VALUE!	EV/EBITDA Multiple Average Year 1-5:	5.11	Cash:	\$1,367,000,000.00	
Mutual Fund Ownership:	#VALUE!	EV/FCF Multiple (excluding acquisition):	14.61	Short Term Investment:	\$0.00	
Insider Ownership:	#VALUE!	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	9.98	A/R:	\$1,584,000,000.00	
Retail Ownership:	#VALUE!			PP&E:	\$5,300,000,000.00	
Float:	#VALUE!			Assets:	\$10,946,000,000.00	
		Upper Range		A/P:	\$2,305,000,000.00	
		DCF: EV/EBITDA Terminal Value		Deferred Tax:	\$949,000,000.00	
				Other Liabilities:	\$2,040,000,000.00	
Technicals		Implied TV from 3 X EV/EBITDA Multiple	\$3,512,980,860.83	Short term Debt:	\$2,000,000.00	
52 week low:	Error	Enterprise Value	\$3,512,980,860.83	Long Term Debt:	\$1,300,000,000.00	
Today from 52 week low:	#VALUE!	Cash at Year 5:	\$3,028,814,203.87	Liabilities:	\$6,596,000,000.00	
52 week high:	Error	Debt at Year 5:	\$102,000,000.00			
Today from 52 week high:	#VALUE!	Equity Value Year 5:	\$6,439,795,064.70	Retained Earnings:	\$3,643,000,000.00	
50 day Moving Average:	Error	Equity/Share at Year 5:	\$46.13	Paid-In Capital:	\$1,079,000,000.00	
200 day Moving Average:	Error	Annualized Return:	2.19%	Treasury Stock:	-\$226,000,000.00	
				Stockholder's Equity:	\$4,421,000,000.00	
Analyst/Consensus		Lower Range				
Analyst Sales Growth FY1:	5.80%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Cash Flow		
Analyst Sales Growth FY2:	-1.30%			Net Income:	563,000,000.00	
SN Valuation Estimate FY1:	2.00%	Year 5 Net Tangible Assets excluding cash and debt	\$4,328,000,000.00	Depreciation/Amortization:	417,000,000.00	
SN Valuation Estimate FY2:	2.00%			Change in Working capital:	-630,000,000.00	
		Enterprise Value	\$4,328,000,000.00	Cash from Operating Activities:	689,000,000.00	
Analyst Earnings Estimate FY1:	\$6.88	Cash at Year 5:	\$3,028,814,203.87			
Analyst Earnings Estimate FY2:	\$5.73	Debt at Year 5:	\$102,000,000.00	Capital Expenditures:	-298,000,000.00	
SN Valuation Earnings Est. FY1:	\$2.69	Equity Value Year 5:	\$7,254,814,203.87	Cash from Investing Activities:	-291,000,000.00	
SN Valuation Earnings Est. FY2:	\$2.92	Equity/Share at Year 5:	\$51.97			
		Annualized Return:	4.65%	Total Cash Dividends Paid:	0.00	
Multiples				Issuance (Retirement) of Stock:	199,000,000.00	
Market Value to Book:	1.31	EVA		Issuance (Retirement) of Debt:	-312,000,000.00	
EV to Book:	1.29	EVA today:	\$4,811,246,058.36	Cash from Financing Activities:	-146,000,000.00	
Market Value to Tangible Net Assets:	2.20	EVA in 5 Years:	\$5,953,172,835.66			
P/E Ratio:	9.76	EVA/Share:	\$42.64			
Trailing P/E Ratio:	9.67	Cash at Year 5:	\$3,028,814,203.87			
Forward P/E Ratio:	7.06	Debt at Year 5:	\$102,000,000.00			
Beta:	Error	Equity Value Year 5:	\$8,879,987,039.52	Profitability Margins		
Dividend:	0.6	Equity/Share at Year 5:	\$63.61	Debt to Equity:	29.45%	
Dividend Yield:	1.48%			Return on Assets:	4.99%	
Dividend Date:	Dec 13, 2012	Annualized return	4.35%	Return on Capital:	9.54%	
Ex-Dividend Date:	Nov 28, 2012			Return on Equity:	12.35%	
		Current Net Tangible Asset				
Competitors		Net Tangible Asset/Share:	\$29.61			
Average EV to EBITDA:	N/A	Net Tangible Asset/Share in Year 5:	\$45.00			
Company EV to EBITDA:	2.99	Annualized return	8.73%			
Average EV to EBIT:	N/A	Current Equity Price:	\$41.40			
Company EV to EBITA:	5.29	Selling at Discount?	Premium			
		Appreciation Potential:	-28.49%			
		Dividend Model				
		Next Year Dividend	\$92,640,878.57			
		WACC:	9.45%			
		Dividend:	\$83,760,000.00			
		Net Income:	\$592,000,000.00			

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	56.15	Non-LBO Forecast		Non-LBO Forecast	
EV/EBITDA with 3X Multiple Terminal Value:	\$46.13	Market Price:	41.40	Year 1 Target	44.00	Desired Return Rate	20.00%
Net Tangible Asset Terminal Value:	\$51.97	LBO Price:	41.40	Year 2 Target	46.77	Implied Today's Price	22.57
EV/EBITDA with Today's Multiple Terminal Value:	\$62.91	Premium to Market Price:	0.00%	Year 3 Target	49.71	Overvalued/(Undervalued)	83.45%
EVA Enterprise Value:	\$63.61	LBO Price/Intrinsic Price Target:	6.29%	Year 4 Target	52.83		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	3.26%	Year 5 Target	56.15		
Average (Excluding Dividend Discount):	\$56.15	Implied IRR at today's EV/EBITDA:	8.73%	Implied IRR (Market Price):	6.29%		
		5 Year Return:	35.64%				

Current Evaluation				Exit Evaluation			
Current Market Price:	41.40	LBO Price:	41.40	Exit Price:	56.15	Exit Price:	62.91
Outstanding Shares:	139,600,000	Outstanding Shares:	139,600,000	Outstanding Shares:	139,600,000	Outstanding Shares:	139,600,000
Market Capitalization:	5,779,440,000	Market Capitalization:	5,779,440,000	Market Capitalization:	7,839,094,653	Market Capitalization:	8,781,782,305
Available Cash:	1,367,000,000	Available Cash:	1,367,000,000	Available Cash:	3,028,814,204	Available Cash:	3,028,814,204
Debt:	1,302,000,000	Debt:	1,302,000,000	Debt:	102,000,000	Debt:	102,000,000
Net Cash:	65,000,000	Net Cash:	65,000,000	Net Cash:	2,926,814,204	Net Cash:	2,926,814,204
Enterprise Value:	5,714,440,000	Enterprise Value:	5,714,440,000	Enterprise Value:	4,912,280,449	Enterprise Value:	5,854,968,101
Original EV/EBITDA:	5.29	EV/EBITDA:	5.29	EV/EBITDA at 5 Years:	6.81	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	2.99	EV/EBITDA:	3.82	EV/EBITDA at 5 Years:	5.28	EV/EBITDA at 5 Years:	4.96
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	41.40	41.40	44.00	46.77	49.71	52.83	56.15
Shares Outstanding:	139,600,000	139,600,000	139,600,000	139,600,000	139,600,000	139,600,000	139,600,000
Market Capitalization:	5,779,440,000	5,779,440,000	6,142,735,129	6,528,866,960	6,939,271,007	7,375,473,019	7,839,094,653
Available Cash:	1,367,000,000	1,367,000,000	1,467,830,115	1,609,430,652	1,792,253,020	2,398,557,656	3,028,814,204
Debt:	1,302,000,000	1,302,000,000	902,000,000	502,000,000	102,000,000	102,000,000	102,000,000
Net Cash:	65,000,000	65,000,000	565,830,115	1,107,430,652	1,690,253,020	2,296,557,656	2,926,814,204
Enterprise Value:	5,714,440,000	5,714,440,000	5,576,905,014	5,421,436,308	5,249,017,986	5,078,915,363	4,912,280,449
EBIT	1,080,000,000	1,080,000,000	631,817,100	653,453,442	5	698,032,961	720,993,620
EV/EBIT:	5.29	5.29	8.83	8.30	1,049,803,597.29	7.28	6.81
EBITDA	1,497,000,000	1,497,000,000	1,057,157,100	1,087,300,242	1,118,046,247	1,149,407,172	1,181,395,315
EV/EBITDA:	3.82	3.82	5.28	4.99	4.69	4.42	4.16

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	41.40	41.40	28.00	32.70	12.11	42.91	48.29
Shares Outstanding:	139,600,000	139,600,000	139,600,000	139,600,000	139,600,000	139,600,000	139,600,000
Market Capitalization:	5,779,440,000	5,779,440,000	3,908,867,994	4,564,949,622	1,690,253,047	5,989,953,465	6,741,698,263
Available Cash:	1,367,000,000	1,367,000,000	1,467,830,115	1,609,430,652	1,792,253,020	2,398,557,656	3,028,814,204
Debt:	1,302,000,000	1,302,000,000	902,000,000	502,000,000	102,000,000	102,000,000	102,000,000
Net Cash:	65,000,000	65,000,000	565,830,115	1,107,430,652	1,690,253,020	2,296,557,656	2,926,814,204
Enterprise Value:	5,714,440,000	5,714,440,000	3,343,037,879	3,457,518,970	26	3,693,395,809	3,814,884,059
EBIT	1,080,000,000	1,080,000,000	631,817,100	653,453,442	5	698,032,961	720,993,620
EV/EBIT:	5.29	5.29	5.29	5.29	5.29	5.29	5.29
EBITDA	1,497,000,000	1,497,000,000	1,057,157,100	1,087,300,242	1,118,046,247	1,149,407,172	1,181,395,315
EV/EBITDA:	3.82	3.82	3.16	3.18	0.00	3.21	3.23

LBO Price	41.40	Equity Partners:	7,480,440,000	Weighting	100.00%	Annualized Return for Equity Partners: 3.26%
Shares Outstanding	139,600,000	Debt Partners:	0	0.00%		
Market Capitalization	5,779,440,000	Total Funds for LBO:	7,480,440,000	100.00%		
Debt	1,701,000,000					
Cash	1,367,000,000					
Enterprise Value	6,113,440,000					
Capital Investment	7,480,440,000					

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	4,421.00	Beginning Enterprise Value	5,714.44	Current Market Price	\$41.40	Starting Debt	1,300.00
Year 5 Book Value	6,569.33	Year 5 Enterprise Value	5,854.97	Year 5 Market Price	\$62.91	Debt Repayment	0.00
Annualized Return	8.24%	Annualized Return	0.49%	Annualized Return	8.73%	Year 5 Ending Debt	100.00
						% of Starting Debt	7.69%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Tesoro

Ticker:

TSO

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2013	2014	2015	2016	2017
Revenue	28,416.00	16,872.00	20,583.00	30,303.00	30,909.06	31,527.24	32,157.79	32,800.94	33,456.96
COGS	27,177.00	14,739.00	18,251.00	27,007.00	27,818.15	28,374.52	28,942.01	29,520.85	30,111.26
Gross margin	1,239.00	2,133.00	2,332.00	3,296.00	3,090.91	3,152.72	3,215.78	3,280.09	3,345.70
SG&A	325.00	221.00	242.00	237.00	463.64	472.91	462.37	492.01	501.85
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	42.00	74.00	54.00	67.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	1,469.00	1,474.00	1,495.00	1,545.45	1,576.36	1,607.89	1,640.05	1,672.85
Depreciation is: Included within COGS	401.00	426.00	422.00	417.00	450.00	450.00	450.00	450.00	450.00
Operating Income (EBITA)	471.00	-57.00	140.00	1,080.00	631.82	653.45	675.52	698.03	720.99
Interest income/(expense)	-92.00	-131.00	-152.00	-177.00	-54.14	-26.14	1.86	1.86	1.86
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	50.00	0.00	-13.00	2.00	0.00	0.00	0.00	0.00	0.00
Income before tax	429.00	-188.00	-25.00	905.00	577.68	627.31	677.38	699.89	722.85
Tax	151.00	-48.00	-4.00	342.00	202.19	219.56	237.08	244.96	253.00
Income after tax	278.00	-140.00	-29.00	563.00	375.49	407.75	440.30	454.93	469.85
Minority Interest	0.00	0.00	0.00	-17.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	278.00	-140.00	-29.00	546.00	375.49	407.75	440.30	454.93	469.85
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.99	-\$1.00	-\$0.21	\$3.91	\$2.69	\$2.92	\$3.15	\$3.26	\$3.37
P/E (historical today's price; forecasted intrinsic price)	20.79	-41.28	-199.29	10.59	16.36	16.01	15.76	16.21	16.68
Revenue Growth	N/A	-40.63%	22.00%	47.22%	2.00%	2.00%	2.00%	2.00%	2.00%
Tax Rate	35.20%	25.53%	16.00%	37.73%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-5.71%	-7.12%	-7.62%	-10.41%	-4.16%	-2.90%	0.37%	1.86%	1.86%
Margins									
COGS	95.64%	87.36%	88.67%	89.12%	90.00%	90.00%	90.00%	90.00%	90.00%
Gross margin	4.36%	12.64%	11.33%	10.88%	10.00%	10.00%	10.00%	10.00%	10.00%
SG&A	1.14%	1.31%	1.18%	0.78%	1.50%	1.50%	1.50%	1.50%	1.50%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.15%	0.44%	0.26%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	8.71%	7.16%	4.93%	5.00%	5.00%	5.00%	5.00%	5.00%
Depreciation is: Included within COGS	1.41%	2.52%	2.05%	1.38%	1.46%	1.43%	1.40%	1.37%	1.35%
Operating Income (EBITA)	1.66%	-0.34%	0.68%	3.56%	2.04%	2.07%	2.10%	2.13%	2.15%
Interest income/(expense)	-0.32%	-0.78%	-0.74%	-0.58%	-0.18%	-0.08%	0.01%	0.01%	0.01%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.18%	0.00%	-0.06%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	1.51%	-1.11%	-0.12%	2.99%	1.87%	1.99%	2.11%	2.13%	2.16%
Tax	0.53%	-0.28%	0.02%	1.13%	0.65%	0.70%	0.74%	0.75%	0.76%
Income after tax	0.98%	-0.83%	-0.14%	1.86%	1.21%	1.32%	1.42%	1.47%	1.52%
Minority Interest	0.00%	0.00%	0.00%	-0.06%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	0.98%	-0.83%	-0.14%	1.80%	1.21%	1.29%	1.37%	1.39%	1.40%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-09-30	+	-						
Cash	20.00	413.00	648.00	900.00	1,367.00			1,367.00	1,467.83	1,609.43	1,792.25	2,398.56	3,028.81
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	20.00	413.00	648.00	900.00	1,367.00			1,367.00	1,467.83	1,609.43	1,792.25	2,398.56	3,028.81
Accounts Receivable	667.00	958.00	867.00	1,241.00	1,584.00			1,584.00	1,584.00	1,584.00	1,584.00	1,584.00	1,584.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	667.00	958.00	867.00	1,241.00	1,584.00			1,584.00	1,584.00	1,584.00	1,584.00	1,584.00	1,584.00
Total Inventory	787.00	622.00	1,257.00	1,763.00	1,739.00			1,739.00	1,739.00	1,739.00	1,739.00	1,739.00	1,739.00
Prepaid Expenses	101.00	72.00	85.00	118.00	166.00			166.00	166.00	166.00	166.00	166.00	166.00
Other Current Assets	0.00	0.00	30.00	98.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current Assets	1,575.00	2,065.00	2,887.00	4,120.00	4,856.00	0.00	0.00	4,856.00	4,956.83	5,098.43	5,281.25	5,887.56	6,517.81
PP&E, Gross	6,265.00	6,649.00	6,847.00	7,000.00	7,000.00			7,000.00	7,300.00	7,600.00	7,900.00	8,200.00	8,500.00
Change in Depreciation		426.00	422.00	417.00	417.00			417.00	425.34	433.85	442.52	451.37	460.40
Accumulated Depreciation	1,184.00	1,459.00	1,677.00	1,700.00	1,700.00			1,700.00	2,125.34	2,559.19	3,001.71	3,453.08	3,913.49
PP&E, Net	5,081.00	5,190.00	5,170.00	5,300.00	5,300.00			5,300.00	5,174.66	5,040.81	4,898.29	4,746.92	4,586.51
Goodwill	89.00	46.00	36.00	36.00	36.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	269.00	255.00	246.00	226.00	217.00			217.00	217.00	217.00	217.00	217.00	217.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	338.00	355.00	352.00	331.00	573.00			573.00	573.00	573.00	573.00	573.00	573.00
Long Term Assets	5,777.00	5,846.00	5,804.00	5,893.00	6,090.00			6,090.00	5,964.66	5,830.81	5,688.29	5,536.92	5,376.51
Total Assets	7,352.00	7,911.00	8,691.00	10,013.00	10,946.00	0.00	0.00	10,946.00	10,921.49	10,929.24	10,969.54	11,424.47	11,894.33
Accounts Payable	1,027.00	1,441.00	1,852.00	2,305.00	2,305.00			2,305.00	2,305.00	2,305.00	2,305.00	2,305.00	2,305.00
Accrued Expense	410.00	429.00	492.00	526.00	526.00			526.00	526.00	526.00	526.00	526.00	526.00
Other current Liabilities	2.00	15.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	1,439.00	1,885.00	2,344.00	2,831.00	2,831.00	0.00	0.00	2,831.00	2,831.00	2,831.00	2,831.00	2,831.00	2,831.00
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	2.00	4.00	152.00	418.00	2.00			2.00	2.00	2.00	2.00	2.00	2.00
Long term Debt	1,582.00	1,810.00	1,822.00	1,262.00	1,300.00	0.00	0.00	1,300.00	900.00	500.00	100.00	100.00	100.00
Capital Lease Obligations	27.00	27.00	21.00	21.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	1,611.00	1,841.00	1,995.00	1,701.00	1,302.00	0.00	0.00	1,302.00	902.00	502.00	102.00	102.00	102.00
Deferred Income tax	416.00	505.00	616.00	815.00	949.00			949.00	949.00	949.00	949.00	949.00	949.00
Minority Interest	0.00	0.00	0.00	310.00	312.00			312.00	312.00	312.00	312.00	312.00	312.00
Other liabilities	749.00	752.00	562.00	567.00	1,202.00			1,202.00	1,202.00	1,202.00	1,202.00	1,202.00	1,202.00
Total Liabilities	4,215.00	4,983.00	5,517.00	6,224.00	6,596.00	0.00	0.00	6,596.00	6,196.00	5,796.00	5,396.00	5,396.00	5,396.00
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	24.00	24.00	25.00	25.00	25.00		0.00	25.00	25.00	25.00	25.00	25.00	25.00
Additional Paid-in capital	916.00	947.00	970.00	1,000.00	1,054.00	0.00	0.00	1,054.00	1,054.00	1,054.00	1,054.00	1,054.00	1,054.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	2,616.00	2,427.00	2,398.00	2,944.00	3,643.00		0.00	3,643.00	4,018.49	4,426.24	4,866.54	5,321.47	5,791.33
Treasury Stock	-147.00	-140.00	-128.00	-226.00	-226.00			-226.00	-226.00	-226.00	-226.00	-226.00	-226.00
Other Equity	-191.00	-171.00	-50.00	-75.00	-75.00		0.00	-75.00	-75.00	-75.00	-75.00	-75.00	-75.00
Total Equity	3,218.00	3,087.00	3,215.00	3,668.00	4,421.00	0.00	0.00	4,421.00	4,796.49	5,204.24	5,644.54	6,099.47	6,569.33
Liability + Equity	7,433.00	8,070.00	8,732.00	9,892.00	11,017.00	0.00	0.00	11,017.00	10,992.49	11,000.24	11,040.54	11,495.47	11,965.33
Variance	-81.00	-159.00	-41.00	121.00	-71.00			-71.00	-71.00	-71.00	-71.00	-71.00	-71.00
Debt/Equity	0.50	0.60	0.62	0.46	0.29			0.29	0.19	0.10	0.02	0.02	0.02
Inventory Turnover	36.11	27.13	16.37	17.19	17.77			17.43	17.77	18.13	18.49	18.86	19.24
Inventory Turnover Days	10.11	13.46	22.29	21.24	20.54			20.95	20.54	20.13	19.74	19.35	18.97
Days Inventory Outstanding	10.57	15.40	25.14	23.83	22.82			23.50	22.82	22.37	21.93	21.50	21.08
Accounts Receivable Turnover	42.60	17.61	23.74	24.42	19.51			19.13	19.51	19.90	20.30	20.71	21.12
Accounts Receivable Turnover Days	8.57	20.72	15.37	14.95	18.71			19.08	18.71	18.34	17.98	17.63	17.28
Days Payable Outstanding	13.79	35.69	37.04	31.15	30.24			31.15	30.24	29.65	29.07	28.50	27.94
Days Sales Outstanding	8.57	20.72	15.37	14.95	18.71			14.95	19.08	18.71	18.34	17.98	17.63
Cash Conversion Cycle	5.34	0.44	3.48	7.62	11.28			7.30	11.65	11.42	11.20	10.98	10.77
Net tangible assets/share	\$21.83	\$20.64	\$22.48	\$26.88	\$31.16				\$33.85	\$36.77	\$39.93	\$43.18	\$46.55

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	278.00	-140.00	-29.00	563.00	375.49	407.75	440.30	454.93	469.85
Depreciation	401.00	426.00	422.00	417.00	425.34	433.85	442.52	451.37	460.40
Net Income + Depreciation	679.00	286.00	393.00	980.00	800.83	841.60	882.82	906.30	930.26
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	89.00	95.00	9.00	200.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	159.00	140.00	128.00	139.00	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-211.00	-142.00	-145.00	-630.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-291.00	91.00	-374.00	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	165.00	-635.00	-506.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	29.00	-13.00	-33.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	414.00	411.00	453.00	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	716.00	663.00	385.00	689.00	800.83	841.60	882.82	906.30	930.26
Capital Expenditures Expenditures	-650.00	-437.00	-297.00	-298.00	-300.00	-300.00	-300.00	-300.00	-300.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	40.00	1.00	2.00	7.00	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-610.00	-436.00	-295.00	-291.00	-300.00	-300.00	-300.00	-300.00	-300.00
Financing Cash flow items	2.00	-1.00	-5.00	-33.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-55.00	-49.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.00	2.00	3.00	199.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-56.00	214.00	147.00	-312.00	-400.00	-400.00	-400.00	0.00	0.00
Cash from Financing Activities	-109.00	166.00	145.00	-146.00	-400.00	-400.00	-400.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	23.00	20.00	413.00	648.00	1,367.00	1,467.83	1,609.43	1,792.25	2,398.56
Net Change in Cash	-3.00	393.00	235.00	252.00	100.83	141.60	182.82	606.30	630.26
Ending Cash Balance	20.00	413.00	648.00	900.00	1,467.83	1,609.43	1,792.25	2,398.56	3,028.81
Capex to Revenue	2.29%	2.59%	1.44%	0.98%	0.97%	0.95%	0.93%	0.91%	0.90%
Depreciation to Sales	1.41%	2.52%	2.05%	1.38%	1.38%	1.38%	1.38%	1.38%	1.38%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	2.35%	5.68%	4.21%	4.10%	4.02%	3.94%	3.86%	3.78%	3.71%
Distributable FCF Yield	1.85%	3.97%	1.57%	6.96%	8.76%	9.48%	10.20%	10.61%	11.03%
Dividend Yield	-0.95%	-0.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	121.00	275.00	88.00	391.00	500.83	541.60	582.82	606.30	630.26

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	252.00	100.83	141.60	182.82	606.30	630.26
Current Portion Debt Repayment						
Long Term Debt Repayment		400.00	400.00	400.00		
Outstanding Debt	1302.00	902.00	502.00	102.00	102.00	102.00
Current Portion Debt Balance	2.00	2.00	2.00	2.00	2.00	2.00
Long Term Debt Balance	1300.00	900.00	500.00	100.00	100.00	100.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		63.14	35.14	7.14	7.14	7.14
Cash Balance		900.00				
Interest @ 1.0%		9.00	9.00	9.00	9.00	9.00
Net Interest Expense/(Income)		54.14	26.14	(1.86)	(1.86)	(1.86)
Net Interest Rate		4.16%	2.90%	-0.37%	-1.86%	-1.86%
EBITDA		631.82	653.45	675.52	698.03	720.99
EBITDA/Interest Expense Coverage		10.01	18.60	94.61	97.76	100.98

Interest Rate Coverage Table

Debt Rating					
AAA		AAA	AAA	AAA	AAA
AA	AA				
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Tesoro

Ticker:

TSO

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	136.00	180.00	543.00	2,025.00	2,125.83	2,267.43	2,450.25	3,056.56	3,686.81
Total Assets	7,352.00	7,911.00	8,691.00	10,946.00	10,921.49	10,929.24	10,969.54	11,424.47	11,894.33
X1	0.02	0.02	0.06	0.18	0.19	0.21	0.22	0.27	0.31
Retained Earnings	2,616.00	2,427.00	2,398.00	3,643.00	4,018.49	4,426.24	4,866.54	5,321.47	5,791.33
Total Assets	7,352.00	7,911.00	8,691.00	10,946.00	10,921.49	10,929.24	10,969.54	11,424.47	11,894.33
X2	0.36	0.31	0.28	0.33	0.37	0.40	0.44	0.47	0.49
EBITDA	872.00	369.00	562.00	1,497.00	1,081.82	1,103.45	1,125.52	1,148.03	1,170.99
Total Assets	7,352.00	7,911.00	8,691.00	10,946.00	10,921.49	10,929.24	10,969.54	11,424.47	11,894.33
X3	0.12	0.05	0.06	0.14	0.10	0.10	0.10	0.10	0.10
Market Value of Equity	5,779.44	5,779.44	5,779.44	5,779.44	6,142.74	6,528.87	6,939.27	7,375.47	7,839.09
Total Liabilities	4,215.00	4,983.00	5,517.00	6,596.00	6,196.00	5,796.00	5,396.00	5,396.00	5,396.00
X4	1.37	1.16	1.05	0.88	0.99	1.13	1.29	1.37	1.45
Net Sales	28,416.00	16,872.00	20,583.00	30,303.00	30,909.06	31,527.24	32,157.79	32,800.94	33,456.96
Total Assets	7,352.00	7,911.00	8,691.00	10,946.00	10,921.49	10,929.24	10,969.54	11,424.47	11,894.33
X5	3.87	2.13	2.37	2.77	2.83	2.88	2.93	2.87	2.81
Altman Z Score	5.60	3.44	3.67	4.43	4.50	4.71	4.93	5.00	5.06

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red