



דלק תמלוגים
Delek Royalties

THE HIGH MARGIN ENERGY ROYALTIES & STREAMING COMPANY



March, 31 2020

CAUTIONARY STATEMENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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About Delek Royalties

TASE: DLRL



A MODEL DESIGNED TO BENEFIT ALL STAKEHOLDERS

Our Vision

To be a premier energy investment vehicle (*)

Our Mandate

To deliver value through royalties & streaming to all of our stakeholders:



To our **Shareholders**,
by delivering low risk, high
quality, diversified exposure
and growth optionality to
energy sector



To our **Partners**,
by crystallizing value for
energy yet to be
produced

DELEK'S ROYALTIES & STREAMING ADVANTAGE

ENERGY PRICE LEVERAGE

Investors get leverage to energy prices (*)

UPSIDE

Receives the benefit from oil & gas exploration and energy assets expansion activities typically at no additional cost

ATTRACTIVE VALUATION

Delek currently trades at a discount to other energy companies



PREDICTABLE DCF

Contractually defined royalties as % of revenues typically protects streamers from inflationary cost pressure (opex & capex)

SUSTAINABLE DIVIDEND

Predictable DCF and lower risk should lead to a more sustainable dividend

HIGHEST QUALITY ASSET BASE

Royalties and streaming companies are easily scalable and can manage a portfolio of 20 or more energy assets (**)

Delek provides investors the **upside** associated with energy companies, but with no downside of Opex & Capex risks

(*) Investing in energy assets are subject to shareholders approval

(**) Oil & gas E&P companies and assets. Investing in energy assets is subject to shareholders approval

UNIQUE AND SUSTAINABLE DIVIDEND

HIGH DIVIDEND YIELD

Unique Dividend Policy:

- Distribute net earnings every year.
- 90% of net earnings ⁽¹⁾

Benefits:

- Limited commodity price exposure
- Participation in robust organic production grow
- Exploration and expansion upside
- Sustainable and flexible
- Dividend paid as of December 31, 2018, equivalent to:
 - ~ 60% of 2018 net earnings ⁽²⁾
 - ~ 10% annual yield (TASE Avg. 2.6%)

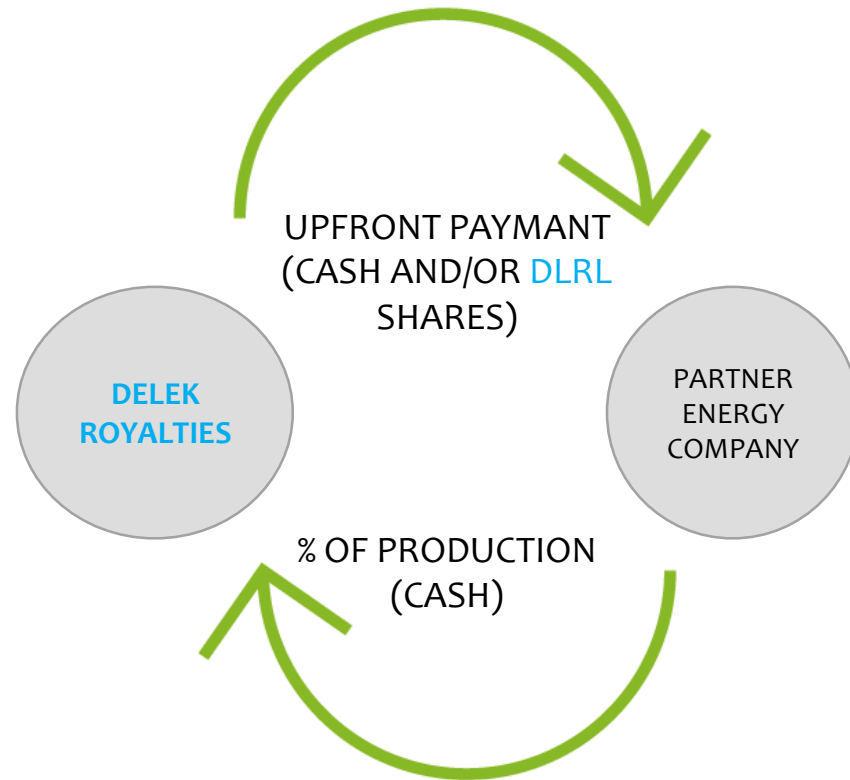
(1) subject to compliance with the Delek's article of association and Israeli law

(2) The company starts its operation on June 2018

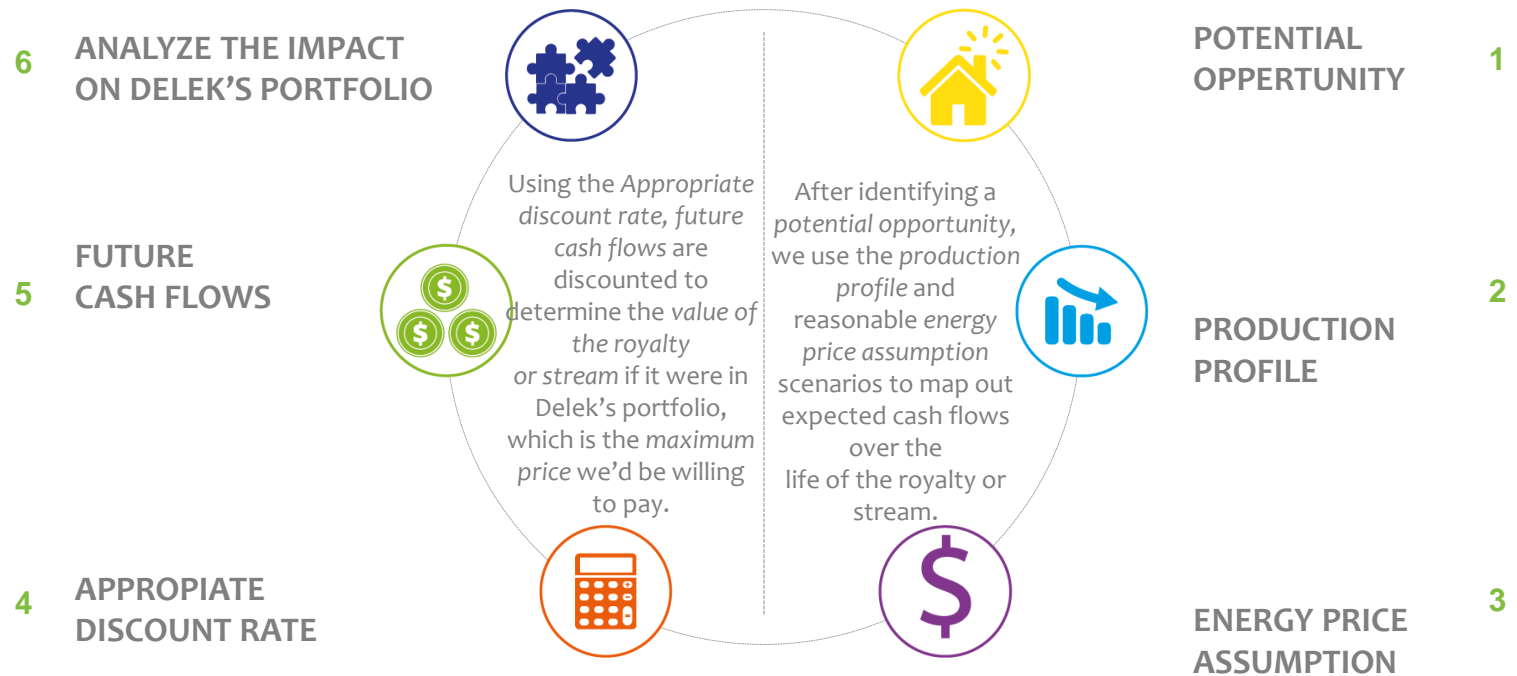
HOW ROYALTIES & STRAMING WORKS

A NEW ALTERNATIVE IN PORTFOLIO OPTIMIZATION

Delek makes an Upfront Payment and in return, we receive a fixed percentage of the future production from energy project / assets revenues



DELEK ROYALTIES & STREAMING MODEL

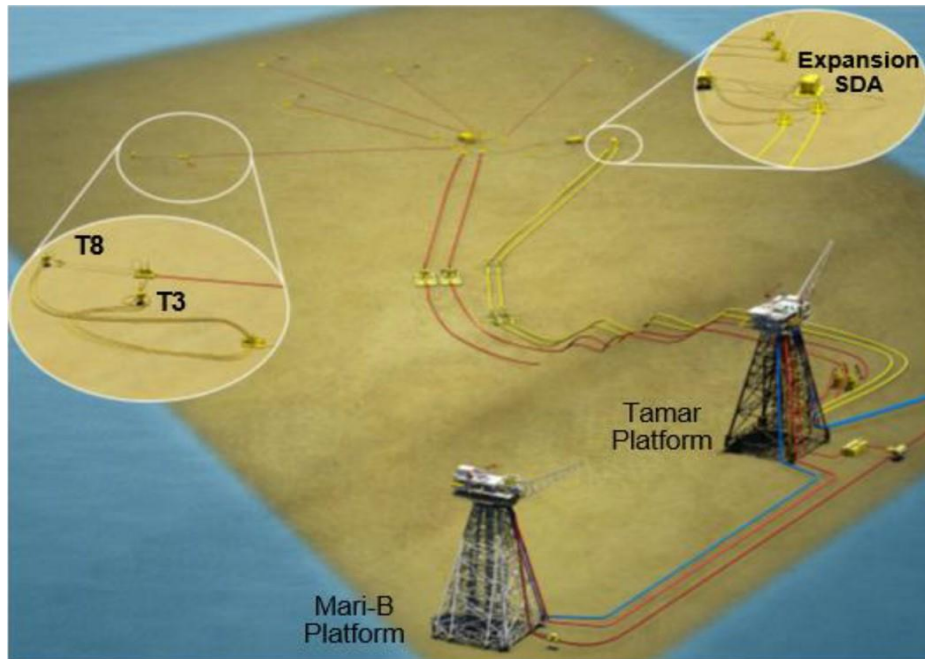


HIGH QUALITY ASSET BASE



TAMAR – WORLD CLASS DEEPWATER PROJECT

ISRAEL ECONOMIC WATER



Our Royalties

1.52% from 100% Tamar Revenues

2P Reserves*

10.8 tcf (305 bcm)

First Gas

31.03.2013

Production Capacity

Up to 1.1 bcf/d (11 bcm/y)

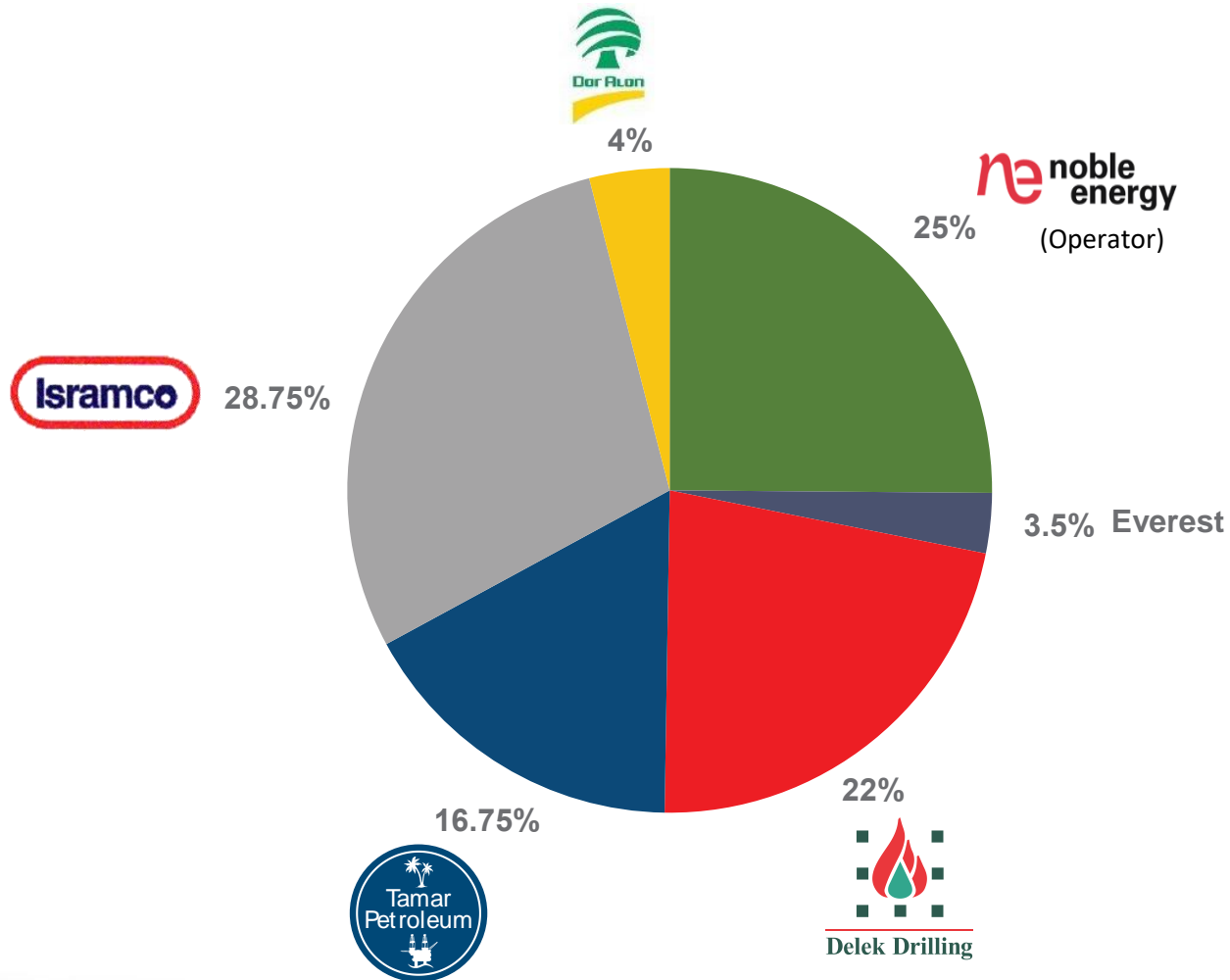
Long Life Production

30 years (2050)

Global Scale Development & Operation:

Very high operational reliability of over 99% up-time

OWNERSHIP – WORKING INTEREST



OUR PARTNERS



Delek Drilling (TASE: DEDR.L)
with Market Cap of
3.0 B\$ (**)
and Global
Credit Rating BB (*)



Tamar Petroleum (TASE: TMRP)
with Market Cap of 205
MM\$ (**)
and Global Credit
Rating BB (*)

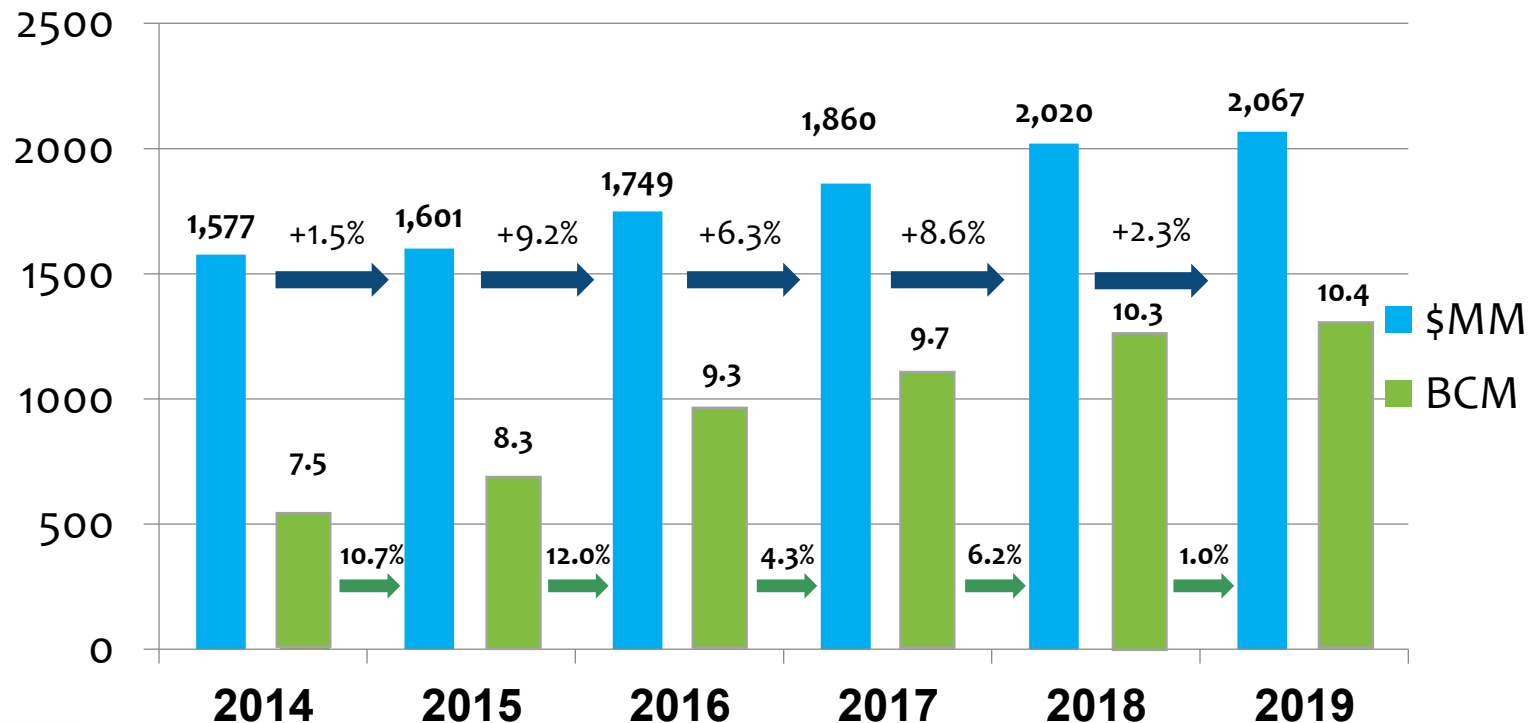
(*) Both have Credit rating of A1il by Midroog (Moody's subsidiary) practically equivalent to global BB

(**) As of December 31, 2019

ROBUST STEADY CF GENERATING PROJECT

GROSS REVENUES (\$mm)

- Revenue increase resulting from supply and price protective GSPAs
- Long term contractual structure with limited commodity price risk



BENEFITS TO PARTNER ENERGY COMPANIES



ENERGY ROYALTIES & STREAMING

	Royalty & Stream	Equity	Debt
Non-dilutive form of funding	✓		✓
Initial value creation for both parties	✓		
Improvs project IRR and partner's ROE	✓		
Crystalize future production of energy partner	✓		
Share sales risk	✓	✓	
Expedited due diligence & closing process	✓	✓	
No fixed payments	✓	✓	

IT IS NOT MEZZANINE or DEBT !!

	Royalty & Stream	Mezzanine or Debt
Capacity constrained	-	✓
Credit rating and on going disclosure requirements	-	✓
Minimum deal size	-	✓
Early redemption costs	-	✓
Financial covenants required	-	✓
Bespoke disclosure and documentation requirements	-	✓
Security required	-	✓
Complex in structure	-	✓
Shorter repayment periods	-	✓
Refinancing risk	-	✓
Recorded as Debt in IFRS Financial statements	-	✓

WHY INVEST IN DELEK ROYALTIES?



A PREMIER ENERGY INVESTMENT

DELEK HAS HIGH QUALITY ROYALTIES

	Delek Royalties	Energy Project / Assets
100% Energy	✓	✓
No capital cost exposure & No abandonment liabilities	✓	
No operating cost exposure & No environmental costs	✓	
Exploration & expansion upside	✓	✓
Highly diverse asset base	✓	
Sustainable dividend	✓	
Leverage to energy prices	✓	✓
Tax Confidence	✓	?
Compelling valuation	✓	?

DELEK'S TRACK RECORD

AS OF DECEMBER 31, 2019

174 mm\$ invested in royalties

38 mm\$ of operational cash flows generated from IPO to Dec 2019

~ 4 mm\$ paid in dividends to Dec 2019 (~ 10% annualized yield) (TASE Avg. 2.6%)

~ 900 mm\$ cash flows expected ⁽¹⁾

30 years of reserve life remaining ⁽¹⁾

~ 21% average annualized ROE

DELEK IS BOTH THE PRESENT AND THE FUTURE OF ROYALTIES & STREAMING

Delek Royalties provide strong balance sheet with low risk business/profile:

- ✓ DCF predictability
- ✓ High quality asset base
- ✓ Sustainable operations
- ✓ Leverage to energy prices
- ✓ Attractive valuation
- ✓ Tax confidence
- ✓ Competitive dividend

Delek checks all the boxes

FINANCIAL SNAPSHOT

FINANCIAL RESULTS AND BALANCE SHEET (IFRS GAAP)

	Q1 19	Q2 19	Q3 19	Q4 19	YTD (2019)
Revenues (mm\$)	7.1	6.4	7.5	7.9	28.9
G&A (%)	3.9%	4.3%	3.2%	3.3%	3.6%
EBITDA (mm\$)	6.8	6.1	7.3	7.7	28.0
EBITDA (%)	96%	95%	97%	97%	97%
Net earnings (mm\$)	3.6	3.0	3.9	4.0	14.5
Net earnings (%)	51%	47%	52%	51%	50%
EPS (\$)	0.2	0.2	0.2	0.2	0.2
Operating CF (mm\$)	7.1	5.6	5.5	6.5	24.7
Operating CF (%)	100%	87%	73%	82%	85%
Cash (mm\$)	13.7	15.8	11.6	11.6	11.6
Net debt (mm\$)	86.5	85.8	81.6	76.4	76.4
Net debt/EBITDA (1)	-	3.2	3.1	2.7	2.7
Leverage (%)	62%	60%	57%	56%	56%
ROE (%) (1)	-	20%	20%	22%	22%

DELEK VERSUS OTHER ENERGY COMPANIES (*)

STRONG CASH FLOW GENERATING

As of 31 December 2019

EBITDA Margin

Delek Royalties	97%
Cohen Development Gas & Oil	94%
Tamar Petroleum	74%
Solegreen	67%
Alon Natural Gas Exploration	65%
Sector Avr. 65%	
Sunflower	46%
Modiin Energy	15%

Operating CF/Revenues

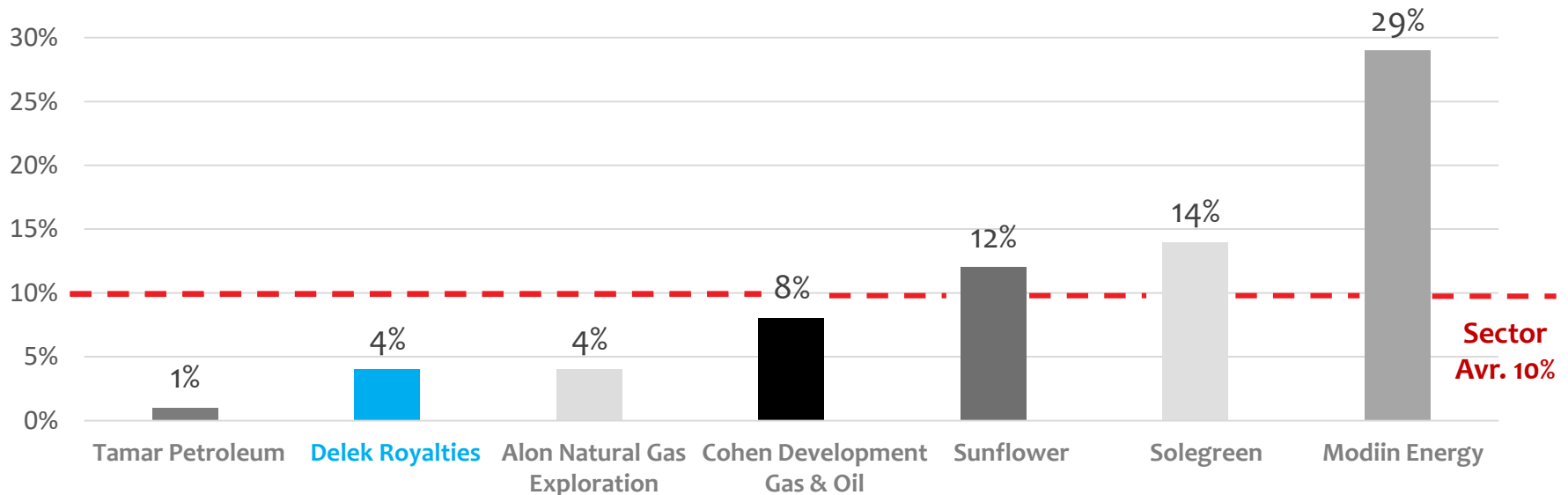
Cohen Development Gas & Oil	92%
Delek Royalties	85%
Alon Natural Gas Exploration	67%
Tamar Petroleum	64%
Sector Avr. 57%	
Sunflower	52%
Solegreen	29%
Modiin Energy	8%

CORPORATE COSTS

LOW G&A COSTS ENABLE SCALABILITY OF BUSINESS

As of 31 December 2019

G&A as % of Revenues



IFRS GAAP Financial Statements

DELEK OVERVIEW (December 31, 2019)

Capitalization Table	
Common Shares Outstanding	20,001,000
Share Price (\$) ⁽¹⁾	2.5
Market Capitalization (mm\$)	50
Net Debt (mm\$)	75
Adj (mm\$)	9
Enterprise Value (mm\$)	134
Yield ⁽²⁾	10%
ROE ⁽³⁾	21%
P/E	3.4

(1) Closing price as of December 31, 2019. Share price is traded in NIS.

(2) Reflects the annualized last distribution

(3) Reflects the annualized average

LEADERSHIP TEAM

Senior leadership team offers unique expertise managing royalty assets and broad, long-standing industry relationships

Board of Directors

Assi Bartfeld, Chair of the Board

Former CEO of DELEK GROUP (TASE: DLEKG)
Market Cap 1.7 B\$

Meir Menachem, President & CEO / Director

Rami Armon, External Director

Vast experience in finance & corporate governance

Roly Klinger, External Director

An attorney, expert in corporate governance

Shlomo Landau, Independent Director

Former CEO of a private industrial company for 40 years

Executive Team

Meir Menachem, President & CEO / Director

Former CEO of TGA BV (*) (TASE: KRNV)
Former CFO of DELEK Israel (TASE: DLEKIS)

Ran Kreitzman, Comptroller

Has 10 years of experience in the oil and gas industry

Rami Spector, General Counsel

Vast experience in corporate law, securities and capital market, with expertise in the oil and gas industry

(*) Tahal Group Assets – An International group with assets ownership through acquisitions and investments all over the world, In Water facilities & Energy power stations.

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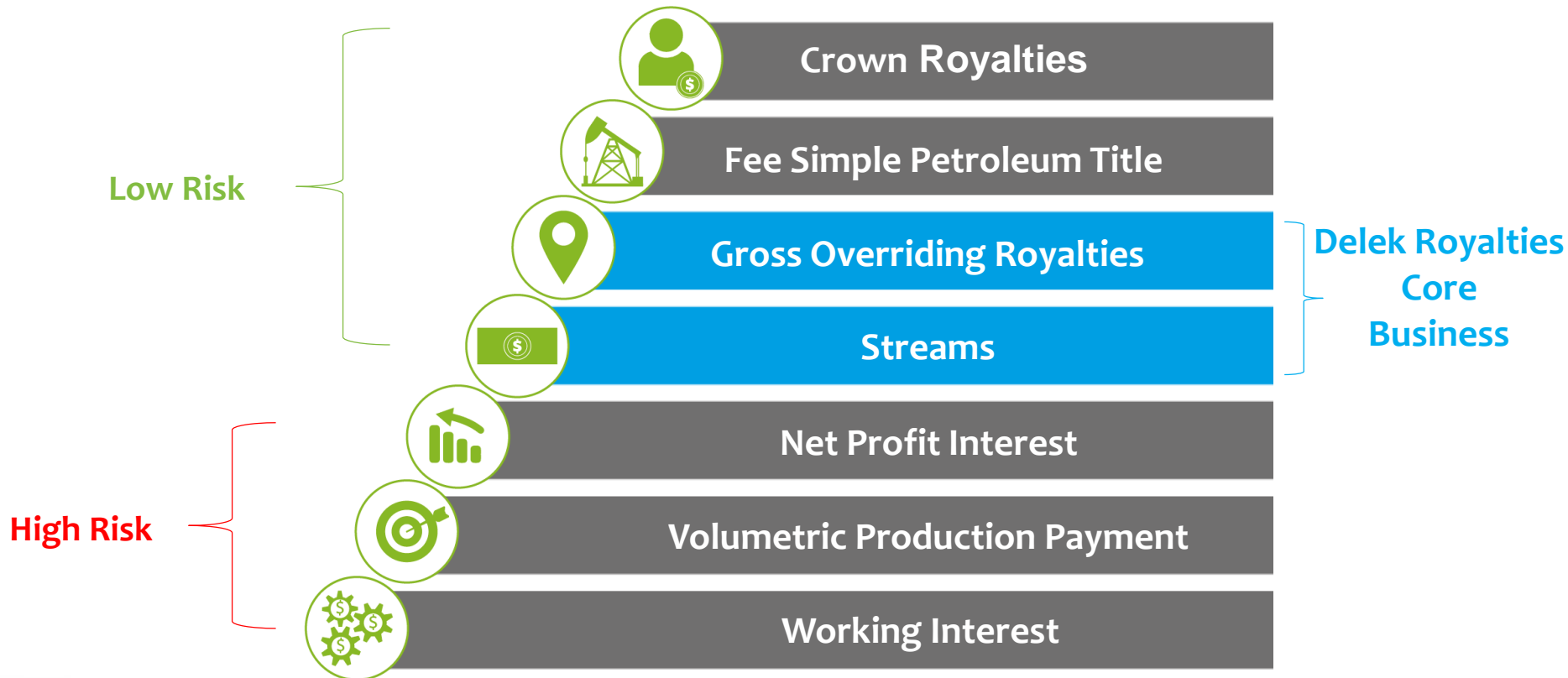
TASE: DLRL

Thank you



TYPES OF ROYALTIES

The following figure outlines the royalty hierarchy.
As you move down the royalty hierarchy, costs increase and duration decreases



ROYALTY INTERESTS (oil & gas) GENERALLY SENIOR TO ALL CLAIMS IN CAPITAL STRUCTURE

In many countries royalty interests (oil & gas) are considered by law to be real property interests and are thus afforded additional protection under bankruptcy law



Royalty Interest owner entitled to ~ 15%-25% of production revenue

Senior Secured Debt

Senior Debt

Subordinated Debt

Equity

Working Interest owner entitled to ~ 75%-85% of production revenue and bears 100% of development cost and operational expense

WHY DELEK IS A PREMIER ROYALTIES & STREAMING COMPANY

<p>Focused on sustainable relationships</p>	<p>An established track record of treating our partners fairly.</p>
<p>Quality is of utmost importance</p>	<p>Maintaining a focus on high-quality, long-life assets that are accretive to our portfolio.</p>
<p>Proven track record</p>	<p>Our knowledge of the royalties and streaming model allows us to move efficiently through to final definitive agreements, resolving any issues quickly and rationally.</p>
<p>Healthy Balance Sheet</p>	<p>Strong cash flows and access to capital and debt markets ensures Delek's ability to peruse additional acquisitions and complete a transaction without any delays.</p>
<p>Flexibility</p>	<p>Streams can be modified in the later stages of an energy project life to encourage exploration and/or energy project life extension.</p>

HIGHEST DIVIDEND YIELD AMONGST STREAMERS

“ Flowstream targets **7%** yield from oil and gas royalties

26 July 2019, London

FlowStream Royalties looks to raise \$250 million (£200 million) for trust investing in mature oil exploration and production companies.

FlowStream Royalties (FSR), a new investment trust targeting a **7%** dividend yield by investing in upstream oil and gas royalties and streams, is looking to raise \$250 million (£200 million) at listing. ”

DELEK ROYALTIES DIVIDEND YIELD ~ 10% (annualized last distribution) (TASE Avg. 2.6%)

DELEK ROYALTIES IS INDEPENDENT FROM DELEK GROUP

- Delek Royalties is traded in TASE:DLRL owned 39.9% by Delek Group (non-controlling interest) and 60.1% by the public
- The 39.9% stake of Delek Group, must be sold until December 2021 and until then those shares doesn't have any voting rights nor management rights
- Delek Royalties has an independent team
- Delek Royalties' Board consists 5 directors, 3 of which are independent directors (60%)
- All directors' fiduciary obligation is to Delek Royalties
- Any transaction involving the Delek Group requires public shareholders approval
- EY & BDO - Accountant are jointly audit Delek Royalties Financial Statements

DELEK ROYALTIES HAS HIGH LEVEL OF CORPORATE GOVERNANCE

- ✓ Article of association
- ✓ Board procedure
- ✓ Internal audit
- ✓ SOX
- ✓ Ethical code
- ✓ Company procedures
- ✓ Securities compliance program
- ✓ Enterprise Risk Program (ERM)