2021 Third Quarter
Results Conference Call
November 4, 2021

Notice: This transcript contains references to non-GAAP financial measures. A presentation of the most directly comparable GAAP measures and reconciliations to non-GAAP financial measures used in this presentation is available on our website at genlp.com and click on the non-GAAP Reconciliations icon at the Investor Relations page.

Welcome to the 2021 Third Quarter Conference Call for Genesis Energy. Genesis has four business segments. The offshore pipeline transportation segment is engaged in providing the critical infrastructure to move oil produced from the long-lived, world-class reservoirs from the deepwater Gulf of Mexico to onshore refining centers. The sodium minerals and sulfur services segment includes trona and trona-based exploring, mining, processing, producing, marketing and selling activities, as well as the processing of sour gas streams to remove sulfur at refining operations. The onshore facilities and transportation segment is engaged in the transportation, handling, blending, storage and supply of energy products, including crude oil and refined products. The marine transportation segment is engaged in the maritime transportation of primarily refined petroleum products. Genesis' operations are primarily located in Wyoming, the Gulf Coast States and the Gulf of Mexico.

During this conference call, management may be making forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. The law provides safe harbor protection to encourage companies to provide forward-looking information. Genesis intends to avail itself of those safe harbor provisions and directs you to its most recently filed and future filings with the Securities Exchange Commission. We also encourage you to visit our website at genesisenergy.com where a copy of the press release we issued today is located. The press release also presents a reconciliation of non-GAAP financial measures to the most comparable GAAP financial measures.

At this time, I would like to introduce Grant Sims, CEO of Genesis Energy, L.P. Mr. Sims will be joined by Bob Deere, Chief Financial Officer and Ryan Sims, Senior Vice President – Finance and Corporate Development.

[Grant]

Good morning to everyone.

As we mentioned in this morning's earnings release, the third quarter was generally in-line with our expectations, but more importantly, we continue to make steady progress towards our goal of building long-term value for all of our stakeholders. As we look forward, we remain on track to see increasing volumes in the Gulf of Mexico in the first half of 2022 and improving market conditions in our soda ash business, driven by the on-going global economic recovery and the tailwinds associated with the energy transition. We are also now less than 2 years away from the first soda ash on the belt from our expanded Granger facility which is poised to benefit from these ongoing market trends. The next 24-36 months will confirm the longevity and resiliency of our world-class leading infrastructure in the Gulf of Mexico, the competitive strengths of our soda ash business and ultimately the earnings power of our market leading businesses.

Now turning to our individual business segments.

Our offshore pipeline transportation segment performed in-line with our expectations despite a steady level of maintenance by our producer customers and longer than anticipated downtime associated with Hurricane Ida. We did not experience any damage to our assets, nor did any of our producer customers, but the path of the storm greatly impacted a number of onshore facilities critical to the receipt and downstream movement of offshore oil and gas production. As a result, we did experience longer than anticipated downtime during the quarter, primarily on our

Poseidon pipeline which was a direct result of the lack of power at certain third-party facilities and the gas processing limitations onshore. Once our CHOPS pipeline resumed service we were able to divert certain barrels that would otherwise flow on our Poseidon pipeline to our CHOPS pipeline which allowed certain producer customers to restart their production earlier than they anticipated. This once again highlights the connectivity and the multi-delivery point optionality of our offshore systems that we provide our producer customers in the Central Gulf of Mexico.

Because of equity accounting, our third quarter results for Poseidon reflect its financial performance for June, July and August. Accordingly, this next quarter we will experience some financial impact from Poseidon being down for the first 11 or 12 days of September as a result of Hurricane Ida, as the distribution we will receive in the fourth quarter covers commercial activities for September, October and November. As such, we would reasonably expect the fourth quarter to come in at the lower end of our previous guidance range of $80 million per quarter, or even slightly less.

The Gulf of Mexico continues to demonstrate its resiliency despite any combination of planned or unplanned downtime associated with producer maintenance or hurricanes. The activity levels remain strong as the vast resources, low carbon footprint and highly economic drilling opportunities allow producers to step out further and further to explore around existing fields and exploit the tremendous reserves under their existing and valid leases. Our lateral strategy is proving very valuable as producers pursue the short-cycle, high return business of tying in, sub-sea development wells to existing production hubs. Each deepwater production facility, as a practical engineering and economic matter, has only one oil export pipeline. As a result, to the extent we're directly or indirectly connected to any such hub, all of the production from these incremental tie-back developments is destined, practically, to be forever dedicated for transportation service through our assets.

We continue to advance our discussions to provide midstream services using our existing footprint, along with the potential to deploy new capital at contracted low single digit build multiples, with three new stand-alone deepwater developments in various stages of sanctioning with anticipated first oil in late 2024 to 2025 time frame. These developments represent up to approximately 200,000 barrels per day of incremental production in the central Gulf of Mexico, and we would anticipate the producers of each of these projects will make their respective final investment decisions no later than the end of this year or early next.

We would also note, in late August, the Department of Interior announced it would take steps to restart the federal oil and gas leasing program in the Gulf of Mexico in response to a federal judge's order on June 15th that blocked the current administration's pause in oil and gas leasing on federal lands and waters. At the end of September, the Bureau of Ocean Energy Management, or BOEM, announced that it would hold an oil and gas lease sale, number 257, for the Gulf of Mexico in roughly two weeks, on November 17th. This will once again allow the producer community to evaluate, lease and explore any currently unleased blocks in the Gulf of Mexico.

These incremental sub-sea tie-back and new production hub opportunities, combined with the continued leasing of new blocks and subsequent discovery of new prospects and fields, should provide Genesis with decades and decades of additional visibility of pipelining opportunities for moving the future crude oil production from the central Gulf of Mexico to refining centers onshore.

Now turning to our soda ash business.

During the third quarter we saw a continued improvement in overall market conditions for soda ash. We remain very encouraged with the overall supply and demand balance dynamics, and we expect the market to do nothing but grind tighter over the coming years as we continue to recover from the pandemic and the demand tailwinds from the various green initiatives and energy transition continue to build.

As we sit here today, spot export prices FOB a Chinese port have continued to rise throughout the year as Chinese exporters have chosen to supply the Chinese domestic market over exporting soda ash, as well as responded to government mandates to reduce production for environmental reasons and as a result of power shortages. By publicly available accounts, Chinese exports of soda ash are down 45 percent through August of this year compared to the eight months ending August of 2020. This is quite remarkable, give the total demand in 2021 is so much higher than the trough experienced during the height of the pandemic and the depths of economic activity a year ago.

As we have discussed before, we generally do not place tons into the spot market given the long lead time and logistical challenges. Additionally, whether domestically or through ANSAC we sometimes have to respond to what seems like totally irrational behavior on both price and volume. Nonetheless, we believe the current backdrop positions us very well as we begin in earnest both pricing and volume discussions for 2022.

These increases in price have been driven for the most part by a significant recovery in global demand as well as rising energy input costs and container and bulk shipping rates. All producers of soda ash are experiencing similar cost inflation from their energy inputs, especially synthetic producers, whose chemical process is 2-3 times more energy intensive than natural producers. One could reasonably infer that synthetic producers are experiencing a much greater cost impact from the rise in their energy input costs and thus need soda ash prices to increase correspondingly to preserve their margins. The market price will need to rise further for more high cost synthetic tons to enter the market to supply the marginal ton of soda ash demand worldwide.

Regarding shipping costs, again all producers face rising costs. Domestic customers are responsible for all delivery costs, although we often act as agent for them in arranging the delivery options. ANSAC, which typically sells on a delivered bulk basis, has used its scale as well as a laddered approach to contracting marine vessels which has made managing these rising costs substantially easier than those exporters who have less scale and who have chosen to go it alone. Chinese exporters ship via containers and face both higher costs and availability issues. And remember, just like taxes, ultimately the consumer will pay for all of the rise in costs associated with these escalating shipping rates.

The effect of rising energy prices on us is quite manageable. We would note that only about a third of our thermal energy demand for both our steam and process heating requirements is exposed to fluctuations in the spot price of natural gas. We strive to maintain a balanced portfolio of financial hedges for our natural gas volumes and pass-through mechanisms in an effort to reduce our exposure to any significant fluctuations in our energy input costs. In fact, ANSAC has just implemented a per ton fuel surcharge in its contracts, as applicable, to pass on the cost impact of increases in natural gas prices above $5.00 per MMBtu. Most of our overall contracted tonnage, including domestic and export sales, is already protected by similar provisions. In addition, in the case of ANSAC a fuel surcharge for increases in bunker fuel related to its costs of marine transportation was implemented earlier this year.

As we look ahead, we continue to believe the energy transition will provide the backdrop for meaningful demand growth of soda ash over and above the projected baseline GDP-correlated growth of two to three percent per year. Soda ash remains poised to play an increasingly important role in the energy transition and we believe this trend only continues as the world's insatiable appetite for solar panels and new generation lithium-iron-phosphate batteries increases over time. Genesis remains very well positioned to participate in this market growth and our global low cost position, including from an expanded Granger facility, will allow us not only to participate, but also profit from, the energy transition moving forward.

The Granger expansion project remains on schedule to be the first global expansion of natural soda ash in over 4 years with the first soda ash scheduled to be on the belt in the third quarter of 2023, if not a little sooner, with an expected ramp to its design capacity of 1.3 million tons per year over the subsequent 9 - 12 months. As we mentioned, we locked-in substantially all of our construction costs prior to this inflationary cycle that has really just accelerated here in the last six months. As a result, we are comfortable the Granger expansion will come in very close to the 350 million dollar estimate envisioned back in September of 2019 when the project was originally sanctioned.

We have also preserved the optionality to re-start the original Granger facility and its roughly 500,000 tons of production as early as the first quarter of 2023, or perhaps a little sooner, if market conditions persist, and specifically if export pricing continues to improve through 2022 and into 2023. We believe the opportunity set within our soda ash business is an enviable position by any measure and will ultimately allow Genesis to solidify its position as a leading and low-cost baseload supplier of soda ash to the world.

Our onshore facilities and transportation segment performed in-line with our internal expectations. Looking forward we continue to expect to see increasing volumes at our onshore facilities in Texas City and Raceland as incremental volumes from our offshore pipelines come on-line and need to be routed and further transported via pipeline to the major refining centers along the Gulf Coast.

Our marine transportation segment performed in line with our expectations except for the effects of Hurricane Ida. We did experience some relatively minor physical damage to fourteen of our inland barges and three of our pushboats, all of which broke away from usual and customary fleeting arrangements while riding out the storm. All of these costs were covered by insurance except for a single 100 thousand dollar deductible reflected in the third quarter. As a result however, those assets were unable to work for most of September and even more recently. As of today, six barges are still in the yard being repaired but all pushboats have returned to service.

That being said, demand for our inland fleet of black oil heater barges seems to have bottomed and in fact we have seen a dramatic uptick in the last several weeks, to the point recent utilization is in the high 90 percent range and spot pricing is beginning to move up. We believe this recovery is being driven by increased refinery utilization and a widening of light/heavy differentials leading crude slates to return to more historical norms.

We have also seen steady activity levels in our blue water fleet as the demand to move refined products from the Gulf Coast to the East Coast remains strong due to certain refinery closures on the East Coast. Additionally, a not insignificant amount of blue water capacity concentrated along the east coast has been practically out of the market due to a financial restructuring/bankruptcy situation.

The petroleum marine sector is seeing an accelerating retirement of older tonnage and virtually zero new-build activity across all classes of marine assets, which most certainly will benefit a relatively young fleet such as ours. As the demand for Jones Act tonnage returns to pre-pandemic levels in the face of this absolutely shrinking supply, we believe we are likely to experience accelerating improvement in the financial results from our marine operations in 2022 and beyond.

I'll switch gears now and quickly touch on our view for the remainder of 2021.

As we look forward, Genesis remains well positioned to benefit from increasing amounts of free cash flow over the coming years and thus we do not foresee a scenario where we do not comfortably live within our senior secured bank covenants moving forward. As a result of the unplanned downtime in our offshore and marine segments associated with Hurricane Ida, we would expect to come in around $620 million of Adjusted Consolidated EBITDA for all of 2021, which includes approximately $30-$35 million of pro forma adjustments, and which is slightly below our previously announced guidance for the full year.

Regardless of 2021, the future remains bright and importantly visible. We remain steadfast in our commitment and are working hard to build long-term value for all of our stakeholders, through a combination of leverage reduction and meaningful growth in our free cash flow and Adjusted Consolidated EBITDA. The decisions we are making today reflect this commitment and our confidence in our core, market-leading businesses moving forward.

I would like to once again recognize our entire workforce, and especially our miners, mariners and offshore personnel who live and work in close quarters during this time of social distancing. I am extremely proud to say we have safely operated our assets under our own health and safety protocols and procedures with no impact to our business partners or customers.

It is an honor to have the opportunity to work alongside such quality folks.

With that, I'll turn it back to the moderator for any questions.

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