

**2018 Fourth Quarter
Results Conference Call
February 20, 2019**

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 2018 Fourth Quarter Conference Call for Genesis Energy. Genesis has four business segments. The Offshore Pipeline Transportation Division 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 Division 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 Division is engaged in the transportation, handling, blending, storage and supply of energy products, including crude oil and refined products. The Marine Transportation Division is engaged in the maritime transportation of primarily refined petroleum products. Genesis' operations are primarily located in Texas, Louisiana, Arkansas, Mississippi, Alabama, Florida, Wyoming 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 Karen Pape, Chief Accounting Officer.

Introduction and Comments on Fourth Quarter 2018

[Grant]

Good morning and welcome to all.

As mentioned in this morning's release, we announced record segment margin of \$185.5 million in the quarter which is a testament to the strength of our underlying diverse business segments. This was primarily driven by continued over performance in our soda ash business and continued ramp up of volumes on our Louisiana infrastructure. We tried to provide a little more detail in the release because for whatever reason we don't usually get a lot of live participation in our calls.

As we have previously alluded, we have identified and are currently evaluating several organic growth opportunities that are complementary to our existing core businesses with apparent multiples to Adjusted EBITDA of plus or minus 5 times. In conjunction with our desire to internally fund these potential investments and possibly other future opportunities and to further strengthen our balance sheet and maintain our financial flexibility, our Board of Directors has made the decision to hold our quarterly distribution rate flat at \$0.55 per common unit beginning with the distribution attributable to the quarter ending March 31, 2019. We intend to use our capital for the highest and best

use for all of our stakeholders. We will revisit our distribution policy quarterly, but we currently expect for our quarterly distribution rate to remain at \$0.55 per common unit for the foreseeable future. For those that have followed us closely over the years, I would mention that our distribution coverage ratio would have been greater than 1.0x in each quarter since we reduced our distribution in October of 2017, even had we NOT reduced the quarterly distribution.

Turning to our quarterly financial results, our business continued to perform well in the quarter, and we generated recurring financial results that provided 1.66x coverage for our increased distribution. I just wanted to point that our distribution coverage ratio, as calculated, should be slightly lower in future periods, everything else the same, as we move out of the paid-in-kind period on our preferred equity units beginning March 1, 2019 and start paying the 8.75 percent preferred payment in cash on a go forward basis.

In our offshore segment, we are currently seeing increasing demand for our assets from production that is currently dedicated to pipelines of our competitors that, in our estimation, appear to be oversubscribed. Given our excess capacity and connectivity on certain of our systems, we expect to benefit from this takeaway capacity constraint for the next twelve to twenty-four months and perhaps longer.

We are very encouraged by the current activity in and around our substantial footprint in the Gulf of Mexico. We have several new dedicated tie-backs scheduled to come on-line in the second half of 2019 representing up to an additional 40-50 thousand barrels per day, or kbd, of throughput exiting 2019. In fact, we have either executed or are in the process of finalizing agreements adding incremental, dedicated volumes approaching 80 kbd in 2020 (including Atlantis Phase 3), 70 kbd in 2021 and 150 kbd in 2022 (including

Mad Dog 2) none of which requires any capital expenditures by us. We are in early but active discussions regarding an incremental 300 kbd that could quite possibly come on in the 2022-2025 time-frame, a portion of which represents one of the strategic capital opportunities mentioned earlier. And now for the usual caveat, unless and until the parties enter into definitive agreements, there is no guarantee that we will be successful in capturing some or any of these volumes. However, I would just add, that in my thirty plus years of focusing on the infrastructure in the Gulf of Mexico, I have rarely seen such an active backlog of known and sanctioned developments by the producing community, especially as it relates to our current footprint of strategically located assets.

Our soda ash operations continue to exceed our original acquisition date expectations. In 2018, we beat our previously raised target range of \$165-\$175 million in segment margin contribution driven by strong export pricing supported by higher than expected international demand growth and lower than expected international supply growth. We currently expect this tight international supply/demand balance to stay in place in 2019 and, in all likelihood, to strengthen into 2020 and 2021. During the 2019 domestic contract season, we gained some domestic market share to bring our portfolio back in line with the domestic-international mix of the average U.S. producer, after incurring some domestic losses over the last couple years. Our intent is to maintain this balanced portfolio moving forward.

Our refinery services business continues to perform at or above our expectations and to be a remarkably steady contributor.

Margin in our marine segment actually increased slightly for the fourth quarter in a row. We are reasonably hopeful we've put in a bottom for the quarterly segment margin

from our entire fleet of assets and have seen some strength in near term day rates and utilization rates. It will be interesting to see how IMO 2020 plays out, as we would otherwise expect an increased demand for our type of inland barge that can get the right intermediate refined barrel to the right refinery location under the more stringent requirements for finished products. Also, there has been a recent firming in Jones Act tanker rates on the dirty side, possibly indicating that more and more shale crude oil volumes delivered to the Gulf Coast are further transported to the East and West coasts of the US on Jones Act vessels, in addition to international exports.

In the quarter, even after reflecting the sale of our Powder River Basin midstream assets at the beginning of the fourth quarter, our segment margin contribution from our onshore facilities and transportation segment increased from the third quarter. That increase was primarily driven by increasing crude by rail volumes flowing through our infrastructure in the Baton Rouge corridor in Louisiana. Those increased volumes were primarily attributable to Imperial Oil shipping a portion of its equity Canadian production via rail to ExxonMobil's Baton Rouge refinery for consumption and/or export through our Aframax capable facilities at the Port of Baton Rouge. I would also mention we are currently evaluating a couple of scenarios, where our existing assets in the Houston area and lower Mississippi River corridor might complement the growth boom of international exports.

As many have read, on December 2, 2018 the government of Alberta took an unprecedented action of intervention in a free market by imposing mandatory upstream production curtailments on Canadian producers. We believe that artificially impacted the short to near term spread between WCS and WTI and resulted in making rail movements

out of Canada uneconomical. We continue to believe that, over the long term, the market takeaway capacity supply and demand dynamics are in place to ultimately return to fourth quarter 2018 volumes, but we expect to see a reduction in volume in the first half of 2019. We do have certain take-or-pay contracts in place for our Baton Rouge assets that guarantee us minimum revenues to the extent certain volumes do not flow. However these potential deficiency payments can be used to offset over performance in future periods. We currently expect to receive the take-or-pay amount in the first part of 2019 due to these contract dynamics regardless of physical flow volumes. The government of Alberta has already eased its curtailment and will continue to revisit its policy from time to time.

Touching on the outlook for 2019, we are excited about the overall current operating environment for our business segments, notwithstanding the loss of segment margin expected in onshore facilities and transportation in the first half of 2019 relating to the Alberta production curtailment, as mentioned above. Also, as you are aware, there are only 90 days in the first quarter and we would expect this, in and of itself, to cost us ~\$4 million on a sequential quarterly basis from the fourth quarter of 2018.

We expect 2019 Adjusted EBITDA to be in a range of \$685 to \$715 million, which assumes an Adjusted EBITDA reduction of approximately \$15 million due to the Alberta situation described above. We expect our fourth quarter Adjusted EBITDA to be in a range of \$180 to \$190 million, driven by a reasonable recovery of crude by rail volumes and expected growth from our offshore segment attributable to the startup of several new dedicated tie-backs in the second half of the year, discussed in more detail earlier. I would point out that assuming, reasonable self-funding this year on growth capital of less than \$50 million, \$180-190 million times 4 gets you to comfortably in the 4-4.5x on our

calculated leverage ratio.

We continue to enjoy a strong distribution coverage ratio and remain on our path to naturally de-lever our balance sheet. We are encouraged by our view of the operating environment for 2019 for our businesses, especially after the Alberta oil production curtailment ends. We intend to be prudent and diligent in maintaining our financial flexibility to allow the partnership to opportunistically build long term value for all stakeholders without ever losing our commitment to safe, reliable and responsible operations. As always, we would like to recognize the efforts and commitment of all those with whom we are fortunate enough to work.

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

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