

**2019 Fourth Quarter  
Results Conference Call  
February 19, 2020**

**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](http://genlp.com) and click on the non-GAAP Reconciliations icon at the Investor Relations page.**

Welcome to the 2019 Fourth 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](http://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.

### **Introduction and Comments on Fourth Quarter 2019**

**[Grant]**

Good morning.

For the quarter, our diversified businesses in total performed slightly better than our expectations, and we ended the year towards the high-end of our revised annual guidance for Adjusted EBITDA.

In our Offshore Pipeline Transportation segment, we saw strong volumes across our platforms and pipelines as newer projects continued to ramp and sub-sea tie backs and infield drilling more than offset any natural decline from our dedicated fields.

During the quarter, we announced new contracts with Murphy Exploration & Production Company – USA, a subsidiary of Murphy Oil, to support their Khaleesi / Mormont and Samurai field developments through the new King's Quay floating production system. The King's Quay FPS will have the capacity to produce up to 80,000 barrels per day of oil and up to 100 million cubic feet of gas per day from the field developments starting in mid-2022. The King's Quay FPS will tie-in subsea to our 100% owned Shenzi lateral and the crude oil production will then be delivered 50% to our 100% owned Cameron Highway and 50% to our 64% owned Poseidon crude oil system for delivery to shore. The associated gas production will tie-in subsea and be gathered on our 100% owned Anaconda system which ties in to our 25.67% owned Nautilus gas system for transportation to shore.

Given the multiple opportunities for Genesis to handle both the oil and gas production from the King's Quay FPS, and if the producers are able to achieve their anticipated volumes, we would reasonably expect to see a benefit of approximately \$50-\$60 million of annual incremental EBITDA associated with the King's Quay FPS.

During the quarter, the producing community also made a couple of significant announcements in the Gulf of Mexico. Chevron announced their final investment decision, or FID, to sanction their \$5.7 billion dollar Anchor Project in Green Canyon. Talos Energy announced they were acquiring a broad portfolio of Gulf of Mexico producing assets, exploration prospects and acreage from a variety of smaller companies for approximately \$640 million. We believe all of these announcements are indicative of the near, medium and long-term opportunity sets in the Gulf of Mexico, and that the economics and production profiles of these projects are competing favorably against other opportunity sets in a company's portfolio. Additionally, significant upstream players are seemingly dismissing any political uncertainty around the future of the Gulf of Mexico in 2021 and for decades to come.

Our team continues to finalize agreements to move a total of what is anticipated to be an incremental twenty to twenty-five thousand barrels per day of new production on Poseidon. These volumes are expected to come on-line in mid-2020 and will be life-of-lease dedications from several new tie-back developments that will flow through one of our wholly-owned laterals that connects subsea into Poseidon. In addition, we expect to see volumes from BP's Atlantis Phase III development in the second half of 2020 and will benefit from a full year of production from LLOG's Buckskin development this year. No capital will be required by us to provide these incremental movements in 2020. As a result, we remain on track with our third quarter comments of reasonably expecting segment margin in our offshore pipeline transportation segment to be up

approximately \$20-\$30 million year over year in 2020.

As a reminder, these incremental volumes in 2020 are in advance of BP's Argos production facility, which is scheduled to come on-line in mid to late 2021 and Murphy's Kings Quay FPS, which is scheduled to come on-line in mid-2022, both of which will have a meaningful positive impact to our offshore pipeline transportation segment margin going forward.

Looking out longer term, we remain in active discussions with multiple producers regarding potential new developments that could come on-line in the 2023 – 2025 timeframe. These opportunities would be similar in size and scale as other recently announced projects and could represent meaningful mid-term opportunities for us, including discretionary extensions and expansion of our existing assets. We would reasonably expect these producers to come to an FID on these new developments sometime over the next 12-24 months. However, 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.

In our onshore facilities and transportation segment, we experienced a ramp in crude-by-rail volumes throughout the quarter as a result of curtailment relief granted in Alberta and we exited the year averaging approximately one train a day. We have experienced a continued ramp above that in January and February, and have received nominations for March consistent with the first several months of this year. We have seen, and expect, no significant slowdown or changes to volumes as a result of operating conditions on either the Canadian Pacific or Canadian National railroads. Furthermore, we have not seen any impacts from a fire at Exxon's Baton Rouge refinery last week. We continue to monitor all these situations to see if they might potentially impact volumes in the first half of 2020; but at this point, we expect none.

During the quarter, we also saw increased volumes on our Texas pipeline as a result of

increased offshore volumes that feed our Texas City terminal. We remain encouraged with the additional activity in and around the Texas City and Houston markets and believe there will be opportunities to further optimize our onshore pipelines and terminals with the increasing volumes from our offshore pipelines.

Our Marine Transportation segment continued to perform as expected and reported increased segment margin for the eighth consecutive quarter. We experienced strong utilization and improving fundamentals and day rates across our inland and offshore fleets. IMO 2020 appears to be having a positive impact on our inland, black oil barges as refiners need to get the intermediate refined barrel to the right location. Upwards of 90% of our barges are typically contracted to provide services to refiners moving their intermediate products from one location to another.

The Corps of Engineers is undertaking significant repair and maintenance of locks on the Mississippi River and its major tributaries this summer. As a result, we anticipate a near-term reduction in “practical supply” as movements in and out of such region take longer and are less efficient than normal. As a result, demand and day-rates in our brown water fleet should improve. We are also seeing increased demand for our blue water vessels. Our offshore fleet is benefiting from certain competitive dynamics on the East Coast as well as more required product movements because of the closure of refining capacity in Philadelphia. Our larger offshore vessels are benefiting from increased movements of crude oil as more and more barrels reach the Gulf Coast, where the Gulf Coast refiners basically have limited incremental demand for those types of barrels.

Turning to our Sodium Minerals and Sulfur Services segment, our legacy refinery services business performed as expected in the quarter, and importantly it appears most of the production

and market interruptions it faced in the second half of 2019 are largely behind us as we move into 2020.

As we mentioned on our third quarter call, we were then seeing signs of slowdown in the demand for soda ash globally, particularly in Asia. We believed this was tied mainly to the ongoing uncertainty around the US-China trade war, but also to decelerating GDP resulting from tightening monetary policies by most central banks in early 2019, which policies appear to have been reversed in the second half of last year.

Nonetheless, this demand trend accelerated into the end of the quarter as customers continued to be long their respective finished goods, like flat glass, and soda ash inventories. At the same time, it appears that Genesis and the other U.S. producers made and marketed more soda ash in the last quarter compared to the year's earlier quarters. As a result, price fell in the export markets to clear this demand/supply imbalance, and we experienced our lowest quarter of financial contribution from our soda ash operations, of just over \$38 million, since we acquired the business in 2017.

Unfortunately, most prices for the subsequent year are negotiated in the preceding December and January time frame. Even though most domestic prices are set on a multi-year basis, many subject to caps and collars, our export contracts and negotiated prices are much shorter in duration. Given the dynamics going into the price negotiations described above, we expect export prices, which represent approximately half of our total annual sales, to be significantly lower in 2020 than they have been in the prior two and half years since we acquired the operations. Experience has shown, because of the nature of the mix of contracts, it can take anywhere from 4-8 quarters for the underlying fundamentals to get prices back on historical trend.

During the first quarter 2020, we have continued to monitor the impacts from the

Coronavirus in China and the potential impact it may have on synthetic production and soda ash demand in the region. China, like the U.S., is a net exporter of soda ash, and synthetic production out of China competes head-to-head with exports of natural production from the U.S. It is too early to determine the net effects of reduced supply from and reduced demand in China, and the demand from other economies throughout Asia.

Having said that, we continue to believe in the long term fundamentals of the business and the cost competitive advantage natural soda ash enjoys over synthetically produced product. We remain confident that the market will need, and we can easily and profitably place, the incremental tons coming from our Granger expansion beginning in mid-2022.

According to third party reports, soda ash demand, outside of China, is estimated to increase approximately 4.0 million tons between 2019 and 2023 and approximately 9 million tons between 2019 and 2028. To put it in perspective, our Granger expansion of an incremental seven hundred thousand or so tons per year represents less than 20 percent of the estimated demand increase between now and 2023 and only some 8 percent of the estimated demand increase through 2028. Furthermore, some of our competitors, including, but not limited to, Solvay and Ciner Resources are also seeing these global demand forecasts and thus have announced their own respective natural production expansions that would add incremental natural production to the market over the next few years. Even with all of these proposed expansions, natural production is expected to represent less than 25-30 percent of overall supply to the global market, thus requiring higher cost synthetic production to be produced to satisfy the increasing future demand. Therefore, we are confident that prices will rise over the period of 2019 – 2028.

While our soda ash business will no doubt be significantly weaker this year, our belief in the longer term fundamentals reinforce our view we will work through these broader economic

uncertainties and get back to the historical trend line for demand growth and pricing.

As we look beyond 2020, we have a very good line of sight on significantly improving financial performance. First, we would reasonably expect our existing soda ash operations to return to trend and add some \$40-\$50 million a year by 2022 at the latest. Argos is scheduled to come on in the second half of 2021, which represents potentially \$30-\$40 million of incremental annualized EBITDA. Kings Quay is scheduled to come on in the first half of 2022, which represents potentially \$50-\$60 million of incremental annualized EBITDA. Finally, assuming a return to trend on soda ash pricing, the Granger expansion is expected to add potentially \$60 million of incremental annualized EBITDA beginning in mid-2022. Therefore, given a starting point of being very close to cash flow neutral this year, as we described in the earnings release, and taking into account the meaningful new EBITDA discussed earlier, we believe we will be able to de-lever our balance sheet and restore and maintain our financial flexibility to capitalize on future discretionary opportunities.

As always, we intend to be prudent, diligent and intelligent in achieving and maintaining the financial flexibility to allow the partnership to opportunistically build long-term value for all our 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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