

**2019 Second Quarter  
Results Conference Call  
August 6, 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](http://genlp.com) and click on the non-GAAP Reconciliations icon at the Investor Relations page.**

Welcome to the 2019 Second 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, Karen Pape, Chief Accounting Officer and Ryan Sims, Senior Vice President – Finance and Corporate Development.

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

**[Grant]**

Good morning and welcome to all.

As mentioned in this morning's release, we are pleased to announce total Segment Margin of \$184.1 million and a calculated bank leverage ratio of 4.96 times for the second quarter.

Leverage is down from 5.63 times just one year ago. In fact, this is the first time in close to 3 years where Genesis has achieved a leverage ratio below 5. Despite several unexpected challenges over the previous twelve months, our diverse and market-leading businesses continue to perform, allowing us to naturally de-lever our balance sheet, a process we believe continues in the coming years.

By achieving a bank leverage ratio below 5, we will now benefit from a 25 basis point reduction in the pricing grid associated with the outstanding amounts under our senior secured credit facility. This, when combined with the Federal Reserve's recent 25 basis point reduction of the Fed Funds rate, and potential further easing, will translate into meaningful reductions in our borrowing costs on our floating rate debt which stood at \$967 million at quarter end.

In fact, net debt is down some \$340 million from the year ago quarter. We received approximately \$290 million for the sale of our Wyoming assets. So over the last twelve months we have managed to reduce total borrowings under our revolver by an additional \$50 million dollars.

During the quarter, our offshore pipeline transportation segment saw consistent volumes across our asset footprint and continues to benefit from increasing activity in the deep water, including both in-field drilling and new standalone development opportunities. The quarter was highlighted by first oil flow in late June from the LLOG operated Buckskin development. Buckskin is a subsea tie-back to the existing Lucius production platform and is 100% dedicated for the life of its lease term to our SEKCO system, our longest lateral in the Gulf of Mexico, and to our Poseidon system for ultimate transportation to shore. The development has an anticipated peak production rate of 30 kbd and we expect to see a meaningful financial impact as production ramps throughout the second half of 2019. Importantly, the Buckskin development required zero capital expenditures from us and highlights the significant operating leverage of our offshore footprint. It is also representative of the types of developments and opportunities we are seeing across our market leading asset footprint in the central Gulf of Mexico.

In early July, we experienced temporary throughput disruptions on our offshore systems as the producing community shut in production associated with Hurricane Barry. We experienced no permanent damage to our assets but do expect some negative financial impact to our third quarter results. Barry was an anomalous storm in terms of our operations in the Gulf. Rather than a typical storm, which approaches from the south and disrupts normally only half or so of our throughput, Barry actually formed in Alabama, moved south and then west before turning north, temporarily shutting in almost all production in the central Gulf of Mexico. Given its path and speed, most production would have been expected to be offline for 3 to 4 days. However, residual, non-Barry related weather delayed the safe re-manning of production and transportation facilities by one day. Once our and other folks were re-deployed to offshore locations, a third-party provider of the largest communications system in the Gulf experienced issues restoring service. As a result, what

we would have expected to be a 3 to 4 day event turned into an 8 to 9 day event, affecting some 90% of the throughput on our offshore systems. While we hope we do not experience any additional downtime in the third quarter, any additional disruptions could further negatively affect the third quarter's results.

We remain on track to exit 2019 with an incremental 40-50k bbl of long-term, dedicated volume across our footprint relative to the fourth quarter of 2018. Our team continues to work diligently to finalize agreements to add the significant incremental volumes we have previously disclosed. The fundamentals and activity levels in the Gulf of Mexico remain very strong and we continue to be excited about our ability to add incremental dedicated volumes to our market leading position, with little to no capital required.

During the quarter, our Onshore Facilities and Transportation segment performed as expected. Rail volumes delivered from Canada to our Baton Rouge complex resumed in April with increased volumes in May, June and July that exceeded the minimum take-or-pay volumes which allowed our main customer to utilize all of the pre-paid credits they accrued in the first quarter 2019. However, we expect August and September volumes to ramp down as the current near-term differential does not support movements, but in the aggregate, we should see similar volumes in the third quarter as we experienced in the second quarter. We continue to monitor the easing of production curtailments by the government of Alberta and if they continue to reduce the self-imposed production curtailments through the remainder of 2019, we believe market conditions should exist to return to fourth quarter 2018 volumes by the end of 2019 and into 2020 at our Baton Rouge complex.

Turning to our Sodium Minerals and Sulfur Services segment. During the quarter we experienced lower production volumes during the quarter due to a longer than anticipated planned

move of our longwall mining machine. During the move, we proactively completed several additional debottlenecking projects and maintenance related items. The longwall move, along with the additional work we performed, has successfully been completed and we would expect to run at or near slightly expanded full capacity for the foreseeable future. We remain on track for our full year estimate in our soda ash business for 2019 as we continue to expect higher volumes along with stronger export pricing in the second half of the year. Our view of the international market supply/demand balance for the remainder of the year remains unchanged and we believe prices are likely to strengthen in the coming years. Our refinery services business also performed as expected despite some unexpected challenges, including unplanned turnarounds and production issues, at a number of our host refineries. So far in the third quarter, our refinery services business has experienced some supply chain disruptions, beyond our control, to some of our South American customers. If not restored in short order, third quarter margin could be negatively affected by a million or two.

Our Marine Transportation segment continues to perform as expected and segment margin increased slightly for the sixth quarter in a row. As previously discussed, we continue to remain optimistic that we have seen the bottom for the quarterly segment contribution from our entire fleet of assets, and recent strength in near term day rates and utilization rates is reflective of an improving market.

In summary, our businesses generated financial results that provided 1.39 times coverage to our common unitholders, inclusive of a full quarter of cash distributions paid to our preferred unitholders, and a sequentially decreasing leverage from 5.08 times to 4.96 times. Our target coverage ratio, including all preferred cash distributions, remains 1.4 to 1.6 times and we expect our quarterly distribution rate will remain at \$0.55 per common unit for the foreseeable future.

As we look towards the second half of the year, it is likely we will end up towards the lower end of our previous Adjusted EBITDA guidance for 2019 of \$685-\$715 million. Notwithstanding generally non-recurring challenges which can arise in any given quarter, and with the noise from the first half of the year being largely in the past, other than a couple of things mentioned earlier, the long term fundamentals across our businesses are strong and appear to us to be getting stronger. We continue to believe the fourth quarter of 2019 remains more indicative of our businesses going in to 2020 and we are confident that the growth anticipated from our existing footprint will keep us on track to naturally de-lever our balance sheet and achieve our long-term leverage target of 4.00 times in the coming years.

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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