**2022 Third Quarter**
**Results Conference Call**
**October 27, 2022**

**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 2022 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 and thanks for listening in.

The third quarter was once again a great quarter for Genesis as our market leading businesses exceeded the upper end of our internal expectations. The fundamentals and macro conditions for our business segments remain strong and continue to provide the foundation for strong financial results and continuing improvement to our balance sheet over the coming periods. Our quarterly results were driven by a combination of strong operating performance across all of our business segments, steadily increasing volumes in our offshore segment and strong soda ash prices in all of our markets, especially in our export markets.

Based on our financial performance over the first three quarters and our expectations for the remainder of the year, we are today, once again, raising our full year guidance for Adjusted EBITDA to a range of 700 to 710 million dollars for 2022, which includes approximately 41 million dollars of non-recurring benefits we received in the second and third quarters. Said another way, our revised 2022 guidance range, at its midpoint, would suggest a normalized Adjusted EBITDA of approximately 665 million dollars, which is over fifteen percent higher than the mid-point of our original 2022 guidance range of 565 to 585 million dollars. Importantly, we expect to exit 2022 with a leverage ratio, as calculated by our senior secured lenders, at or below four point two five times…which as I have said before, is the only relevant leverage covenant anywhere in our capital structure.

As we look ahead to 2023, despite any potential recession-related risks that might be on the horizon for the broader economy, we remain confident that market dynamics in each of our respective businesses remain such that we do not believe we will see a meaningful impact to our expected earnings capability in 2023. This belief is supported by visible and growing volumes out of the Gulf of Mexico, specifically from a full year of King's Quay and the portfolio of six or so in-field, workovers and subsea tiebacks we referenced last quarter, along with new volumes from Argos in the coming months. None of this visible volume growth will be impacted by an economic slowdown or fluctuations in oil prices, given the capital intensity and fixed-cost economics of the deepwater Gulf of Mexico. Furthermore, we believe the structural tightness in the soda ash market will continue to support soda ash prices in 2023, even if all or parts of the world start to see any slowdown in economic activity. These elevated soda ash prices combined with approximately seven hundred thousand tons of incremental soda ash production we expect to have on-line from our Granger facility will also provide for increased financial contribution in 2023.

Assuming steady performance from our other business segments, we do not see any reasonably likely scenario where we do not generate Adjusted EBITDA next year in the mid seven hundreds. Accordingly, we would otherwise expect to deliver more than ten percent sequential growth from 2022 to 2023 from our base businesses. We would also expect to exit 2023 with a leverage ratio, again as calculated by our senior secured lenders, below four times. We believe this performance, combined with the clear line of sight to generate increasing amounts of free cash flow in the years ahead from additional offshore volume growth and a full year of soda ash volumes from Granger, will provide us with increased flexibility to address any near-term maturities in our capital structure under virtually any operating, financial and economic environment.

Now I will touch briefly on our individual business segments.

As we mentioned in our earnings release, our offshore pipeline transportation segment again exceeded our expectations. During the quarter we saw volumes from Murphy's King's Quay development continued to ramp ahead of our internal expectations and according to Murphy's latest public disclosure, King's Quay is currently producing volumes in excess of 90,000 barrels of oil equivalent per day from only 5 of the 7 original wells. They are expected to bring on-line both the 6th and 7th wells in the near future and are continuing to work on increasing the capacity of King's Quay beyond the original design capacity of 85,000 barrels of oil and 100 million cubic feet of gas per day over the remainder of the year. We remain encouraged with Murphy's operating performance and believe we will see strong volumes from King's Quay through the remainder of the year and into 2023 as well as for years and years to come.

Furthermore, we benefitted from a full quarter's performance from the two well, sub-sea Spruance development which continues to exceed our and the operator's pre-drill expectations. We also saw two of the previously discussed new in-field, sub-sea wells that were planned for the back half of 2022 come on-line during the quarter. We expect the remaining four of these wells to be placed on-line between now and the end of the year. Each of these wells required zero capital to connect and represents close to 10,000 barrels of oil per day on average of additional production that will flow first through a one hundred percent Genesis owned lateral prior to transportation to shore through either of our 64 percent owned and operated Poseidon or CHOPS pipeline systems.

Based on public disclosures from the working interest owners in Argos, the operator of the field is continuing to work through commissioning items, which will delay start up until 2023. Nonetheless, the 14 wells pre-drilled and completed at the Mad Dog 2 field, once it does start we expect volumes to ramp to its nameplate capacity of 140,000 barrels of oil per day over the subsequent 9 to 12 months after first production. This seems reasonable to us as King's Quay went from zero to exceeding design capacity in less than six months from only five wells.

The anticipated volumes from the Argos floating production facility should provide a steady bridge to the incremental 160,000 barrels of oil per day we expect in late 2024 and early 2025 from our recently contracted developments, Shenandoah and Salamanca. We also remain in active discussions with the operators of multiple in-field, sub-sea and/or secondary recovery development opportunities representing upwards of 200,000 barrels of oil per day in the aggregate that could turn to production over the next two to four years, all of which have been identified but not yet fully sanctioned by the operators and producers involved.

Based on the current activity levels and the number of projects with first production on the horizon, combined with the new, increasing list of drilling prospects near our existing infrastructure, it is clear to us that no broader economic slowdown or short-term fluctuations in commodity prices will have a significant impact on the pace of development in the Gulf of Mexico for the foreseeable future. This is especially true in light of the deepwater Gulf's importance to secure domestic oil production, its proximity to Gulf Coast refinery complexes, and the fact that it has the lowest carbon footprint of any barrel of oil refined and consumed in the United States.

Recognizing this, the Department of Interior has, in fact, just recently completed the public comment period for a brand new five-year leasing program from 2023 to 2028, which includes the Central Gulf of Mexico Planning Area, exactly where our industry leading infrastructure is located. Furthermore, on October 20th the Department of the Interior and Bureau of Ocean Energy Management announced next steps for oil and gas leasing on the Outer Continental Shelf to comply with provisions in the Inflation Reduction Act of 2022. These steps include holding Lease Sale 259 by March 31, 2023, and Lease Sale 261 by September 30, 2023. While there remains decades and decades of inventory on existing and valid leases, these additional lease sales will provide operators new 10 year primary terms to further explore, develop and exploit the tremendous reserves in the Gulf of Mexico which will help support the growth and stability of our basin-leading infrastructure in the Central Gulf for many decades to come.

Turning now to our sodium minerals and sulfur services segment. The macro story for soda ash remains intact as worldwide demand, ex-China, is continuing to outpace supply, despite any concerns of a slowdown of the broader economy. According to third party reports, estimated demand growth for soda ash in the ex-China market alone is expected to be in excess of approximately one million tons per year through the end of the decade. The outlook moving forward is driven by a combination of industrial production growth and increasing demand associated with the green transition, specifically from solar panel and lithium battery manufacturers at the same time as there is limited new supply available to the market outside of significantly higher cost synthetic soda ash production.

As a result of this structural tightness and the cost structure of synthetic producers, our non-contracted export soda ash prices have steadily increased throughout 2022, and this again held true as our fourth quarter soda ash prices are expected to be higher than our third quarter prices. Given this starting point and the nature of our contracts, we currently expect… and all of our recent pricing conversations thus far would confirm… that our weighted average soda ash price will be higher in 2023 than it was in 2022. This will be true even if we were to see a decline in market-clearing spot prices over the course of 2023, which is not impossible but depends on a number of negative dynamics all playing out together.

Soda ash is without question a fundamental building block of the global economy, with no practical substitutes, and absent some major black swan event, will continue to be a vital component for future economic growth both domestically and around the world for the foreseeable future. The fundamental undersupply in the soda ash market has occurred despite the automobile industry producing far fewer units than historical averages due to semiconductor chip shortages and various other supply chain issues. Moving forward, we would expect general auto production levels to return to historical levels as well as significant growth for soda ash expected from solar panel manufacturing and lithium battery manufacturing to support growing demand for EV's and batteries for renewable sources of electricity. We believe these tailwinds are likely to offset any potential reduction in demand for soda ash from construction related activities or other smaller end markets which might be impacted by any recession or economic slowdown.

You can read a lot out there about lithium that many are now calling the new "white gold" because of its place as a critical component in the manufacturing of batteries for electric vehicles as well as storage batteries for renewable energy from solar and wind. Well… soda ash really is another "white gold"… as you need <u>two</u> parts soda ash per <u>one</u> part lithium to make one unit of lithium carbonate equivalent, which is a key component in battery manufacturing…not lithium by itself but soda ash mixed with lithium using more than twice the amount of soda ash per the amount of lithium used.

Based on the growing demand from green initiatives, which appears to be relatively invariant to general economic activity, it is evident the world will need more soda ash to support the transition to a low carbon world and the general economic growth that will without question occur in the decades to come. We are very excited to be the first domestic natural soda ash producer to bring on-line a meaningful expansion this decade to help supply this constantly growing market. The incremental volumes we will produce from our Granger facility will not only allow us to supply our customers from multiple independent production sites, thus increasing our reliability as a supplier, but these new volumes will also allow Genesis Alkali to be the logical supplier of incremental soda ash demand from our customers, both domestically and abroad, to support their future growth initiatives in the coming years.

Along these lines, we remain on schedule to have first production from our original Granger facility as early as January 2023 with the expanded Granger facility expected to be on-line sometime midyear. We continue to expect a net increase in production of around 700,000 tons in 2023, which importantly will be contracted at current market prices, with the full 1.2 to 1.3 million tons from old and new Granger available for sale in calendar year 2024. Once expanded, Granger will join our Westvaco facility as one of the lowest cost soda ash production facilities in the world.

Our legacy refinery services business continues to be a steady contributor for Genesis. The primary end markets we serve, specifically copper mining and the corrugated paper market, provide us a stable baseline of business despite any concerns of a broader slowdown in economic activity. I think we can all agree that copper will remain a fundamental building block of the global economy and specifically the green energy revolution for the foreseeable future, especially based on the various forecasts of electric vehicles, solar panels and the build out of the electric transmission and charging infrastructure. In addition, our sulfur based products are used in various applications to support emissions reduction activities in various industrial applications. Despite any risk of a potential economic slowdown, we believe the combination of inelastic copper demand, steady demand from pulp and paper markets, along with additional demand from ancillary applications will provide us with a steady to increasing results moving forward.

I would like to take a moment to talk about how we believe the market continues to misunderstand and arguably undervalues our sodium minerals and sulfur services segment. For whatever reason the market seems to value this segment like a generic bulk chemical business with minimal market scale, and whose products likely compete with substitute products and are used in low to no growth end markets with low margins. Businesses like that should probably be valued by the market at call it an eight times EBITDA multiple. I can tell you we firmly believe our sodium minerals and sulfur service segment should instead be valued much more like a specialty chemical businesses where the market tends to value such at EBITDA multiples north of at least ten times, if not in the range of twelve to thirteen times.

Our soda ash business produces a product that has no practical substitutes and is absolutely essential to everyday life, global economic activity and the energy transition. Many of the products we take for granted such as the windows in your house, at your place of business or in your cars, iPhones, glass containers, solar panels, lithium batteries for electric vehicles, detergents, pharmaceutical products, among countless others, all require soda ash to produce and deliver an end product to a consumer. We do not compete with a substitute product but rather we compete with synthetically produced soda ash which is more than twice as expensive to produce and has a far nastier environmental footprint relative to natural production.

The end markets we serve are not only vast and diverse, but they continue to expand and grow. Furthermore, after our Granger expansion, we will produce and supply close to thirteen percent of the global demand for soda ash outside of China. All of these factors should likely combine to contribute to steady and growing financial performance. It is interesting to note that since the beginning of 2018, the first full year we owned the soda ash business, we have been able to generate average EBITDA margins, as a percent of revenue, of greater than 25 percent… fully loaded with all fixed and variable expenses. The calculated average EBITDA margin as a percent of revenues increases to approximately 30 percent if you exclude the impacts the black swan pandemic had on this business in 2020 and 2021. These are the realized EBITDA margins of specialty chemicals… not generic bulk chemicals.

Similarly, our refinery services business provides essential emission reduction services to our host refineries at the same time producing a specialty chemical that has limited and/or significantly more expensive substitutes in virtually all of its applications. Additionally, it is an essential input into both the copper mining and pulp and paper industries. We continue to be one of…if not the leading supplier both in North and South America, and we support end markets that will continue to be around and grow for many years ahead. I think we can all agree that demand for copper is not going away, especially given its necessity in our everyday life and its increasingly important role in the energy transition to a lower carbon world. Also, the last time I checked, everyone continues to have countless Amazon, FedEx or UPS boxes on their front porch every day. As a result of our competitive positioning and the steady to growing demand from our various end markets, we have been able to generate EBITDA margins, as a percent of revenue, of greater than 30 percent since the beginning of 2018. This is quite remarkable and, once again, more akin to a specialty chemical business, especially given this business has generated these types of EBITDA margins since we first acquired the business back in 2007, or some fifteen plus years ago.

The world, and more specifically, the green transition to a low carbon world, will not be able to move forward, nor at the pace that everyone desires, without soda ash and our sulfur based products. Period.

Our marine transportation segment performed in line with our expectations as market conditions continue to support activity levels at or near 100 percent utilization for all classes of our vessels combined with increasing opportunities to steadily increase our day rates. The market for Jones Act tonnage remains structurally short across all classes of our vessels due to the continued net retirement of marine tonnage across the industry combined with steady refinery utilization levels and the robust demand to move refined products from the Gulf Coast to the East Coast and West Coast.

This structural tightness, especially for our inland fleet, has recently been exacerbated by record low water levels on the Mississippi River, which has caused increased traffic, navigational delays and longer than normal wait times to move through locks. These conditions have reduced the practical availability of marine equipment available to make moves up or down the Mississippi River. It is important to note that we have not experienced any negative financial effects as a result of such conditions on the Mississippi River. We operate on a day rate plus fuel basis without going "off the clock" due to navigational issues, whereas traditional dry cargo or line-haul carriers generally operate on a per ton mile rate structure…when you don't move a ton at least a mile you lose revenue. That's not at all how we operate.

As we mentioned in our release, the American Phoenix recently completed her scheduled dry-docking and has started her most recent charter with an investment grade counterparty through the end of this year at a rate meaningfully higher than her previous charter. We also recently entered in to a longer-term agreement with another investment grade counterparty starting in January 2023 at a rate equal to or better than her current charter. This new arrangement will last a minimum of six months and more likely than not for all of 2023 at rates approaching what she commanded when we first purchased the vessel in 2014.

All of the dynamics across our marine portfolio provide broad support for increasing levels of financial performance from our marine transportation segment moving forward, and we do not foresee a scenario where any short-term reduction in demand due to a policy driven slowdown will significantly alter its trajectory.

As we have said in the past, we remain very excited about the future of Genesis. The decisions we have made over the last few years, the recovery in our market leading businesses off the double black swan lows of 2020 as well as the expected growth we have in front of us, all combine to provide us with the foundation for generating increasing amounts of discretionary cash flow and an improving credit profile in the coming quarters and for years ahead. Our current expectations for 2023 will not only allow us to exit the year with a bank leverage ratio, as calculated by our banks, below 4 times, but will also allow us to manage our capital structure to the extent the regular-way capital markets remain practically closed for any extended period of time. Along these lines, we have demonstrated time and time again we have tremendous support from our banks… and while we have no definitive plans to do so, we have historically been fairly creative in terms of executing on structured finance or asset sale opportunities to the extent we feel they are necessary and in the best interest of all of our stakeholders. As a result, we remain absolutely confident we have the flexibility and in fact multiple attractive avenues to deal with any near-term maturities… as well as extend, and possibly even expand, our senior secured credit commitments.

The management team and board of directors remain steadfast in our commitment to building long-term value for everyone in the capital structure, and we believe the decisions we are making reflect this commitment and our confidence in Genesis moving forward. I would once again like to recognize our entire workforce for their efforts and unwavering commitment to safe and responsible operations. I'm proud to be associated with each and every one of you.

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

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