2018 Third Quarter
Results Conference Call
November 1, 2018

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 Third 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 Third Quarter 2018

[Grant]

Good morning and welcome to all.

During the quarter, we completed the sale of our Powder River Basin Midstream assets for net proceeds of approximately $300 million inclusive of the $30 million option payment we received in August. We used the proceeds to reduce the balance outstanding under our revolving credit facility. As the terms of our facility allows pro forma credit for this transaction, we were pleased to report our credit agreement leverage ratio at 5.24 times Adjusted EBITDA. The closing of this transaction coupled with the improving financial performance of our businesses, makes us feel increasingly confident that approaching our leverage target of 4.5 times by the end of 2019 is reasonably achievable.

Turning to our financial results, our businesses continued to perform well in the quarter. We generated recurring financial results that provided for 1.65 times coverage of our sequentially increased distribution.

We believe the 3Q financial results represent the baseline performance of our businesses from which we expect to grow in this operating environment in future periods. We find it interesting, that if you simply multiplied say 173 times 4, and divided it into our outstanding debt pro forma for the sale of our Wyoming assets, our leverage ratio calculated generally consistent with the terms of our bank facility would be less than 5 times.

In the quarter, we were pleased to see the increase in the contribution of our onshore facilities and transportation businesses primarily driven by increasing volumes flowing through our infrastructure in the Baton Rouge corridor in Louisiana. These increased volumes are the realization of the expected growth in this business that we have discussed over the last few quarters. We believe the market fundamentals are intact to see increasing volumes and margin contributions both in Louisiana as well as in Texas over the next several quarters to levels sustainable for certainly the next several years. While the ramp in contribution from our organic growth projects has taken longer than originally anticipated, we are beginning to see the expected results that underpinned these investments.

Even after reflecting the sale of our Powder River Basin Midstream assets, we would expect margin contribution from our Onshore Facilities and Transportation segment to increase sequentially in the fourth quarter. This comes from physically handling increased volumes of crude oil rather than marketing or merchant fees which, for context, contributed less than $1 million for the third quarter.

In our offshore business, we have continued to experience an inordinate amount of scheduled and unscheduled, downtime at several of the production facilities connected to our offshore infrastructure. Notwithstanding these short term negatives, longer term we are quite bullish on, and pleased with, the activity in and around our substantial footprint of assets in the Gulf of Mexico. Additionally, we are currently seeing increasing demand for our assets from production that is currently dedicated to 3rd party pipelines but is unable to get to shore due to such competitive pipelines being, in our estimation, oversubscribed. Given our excess capacity and connectivity on certain of our systems, we expect to benefit from this takeaway capacity constraint in future periods.

Our soda ash operations have continued to exceed expectations. We believe we are on track to produce $165-175 million in margin for 2018, up from the previously discussed range of $155-165 million. This is primarily driven by higher than expected ANSAC export pricing pushed by higher than expected Chinese domestic pricing influenced by high input prices as well as continued environmental inspections resulting in tightened export supply. Turkish supply from Kazan continues to ramp slower than expected and therefore has been unable to backfill the reduced and higher price exports out of China. Worldwide demand for soda ash continues to be strong, and we expect the market to be reasonably tight in 2019 and even tighter in 2020.

Our refinery services business continues to perform at or above our expectations with increased volumes in the quarter

Margin in our marine segment actually increased slightly on a sequential quarterly basis for the third 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, but we continue to have no expectation of the fundamentals for marine transportation showing any significant improvement through at least the next several years. We certainly have significant operational leverage if things improve sooner.

We continue to enjoy a strong coverage ratio and remain on our path to naturally de-lever our balance sheet. With the sale of our Powder River Basin Midstream assets, we have minimal planned growth capital on the horizon and currently would plan to use any excess cash to reduce outstandings under our revolving credit facility. 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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