2023 First Quarter
Results Conference Call
May 4, 2023

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 2023 First 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 soda 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 Kristen Jesulaitis, Chief Financial Officer and Chief Legal Officer, Ryan Sims, President and Chief Commercial Officer and Louie Nicol, Chief Accounting Officer.

[Grant]

Good morning to everyone and thanks for listening in.

As we mentioned in our earnings release this morning, our financial results for the first quarter were generally in-line, and consistent, with our annual guidance…but they did end up below our internal expectations for reasons well beyond our control. Most notably our soda ash business was negatively impacted by the coldest first quarter in the last 23 years in southwest Wyoming which challenged our operations and significantly impacted rail service, which in turn reduced our production and sales volumes during the quarter. We only have storage on site for about five days' worth of production. When loaded rail cars aren't pulled…and empty cars aren't returned on a timely basis…we have no choice but to curtail production. As a result, we estimate that we suffered a reduction in realized Segment Margin and Adjusted EBITDA of approximately $15 million dollars for the first quarter and fiscal year.

Unfortunately, these weather and third-party service-related headwinds in our soda ash operations masked the over-performance in our offshore and marine segments during the quarter. Despite these challenges we are reaffirming our previously announced guidance range for Adjusted EBITDA of $780 - $810 million for the full year and still expect to exit the year with a leverage ratio, as calculated by our banks, below 4 times. So here we are, having delivered on our targeted leverage ratio. It should now hopefully be clear that the actions we have taken over the last several years, along with the underlying resilience of our market-leading businesses, has positioned us with ample liquidity and significant financial flexibility going forward.

As we look ahead to the remainder of 2023, the fundamentals and macro conditions across our business segments continue to appear strong. The central Gulf of Mexico is really hitting its stride with tremendous oil and gas producer activity around our existing, and soon to be expanded, midstream footprint. We continue to see robust volumes from King's Quay, Spruance and other developments throughout our network of offshore infrastructure. Additionally, we can confirm we have in fact started to receive new volumes from BP's Argos production facility, which supports their Mad Dog 2 field development.

The soda ash market feels like it's settling down some, moving from an extremely tight to perhaps a more balanced global market. We believe the pace of China's reopening and the lost tonnage from natural producers in Wyoming during the first quarter has not yet quite filtered its way through the global system and could…and really should…help support prices in the back half of the year. To be conservative, we have taken into account in our annual guidance the possibility of some potential softening for soda ash prices to the extent demand weakens more than we anticipate as we move throughout the remainder of the year. In our marine transportation segment, we are continuing to see full utilization, as a practical matter, for all classes of our Jones Act vessels, which is affording us the opportunity to drive day rates for spot and contract charters to their highest levels in the last decade.

Regardless of any potential impacts of a slowing economy, we continue to believe that Genesis is well positioned now and in the future for increasing amounts of free cash flow, financial flexibility and opportunities to continue to build long-term value for all of our stakeholders.

Now I will touch briefly on our individual business segments.

Our offshore pipeline transportation segment performed in-line with, if not slightly ahead of, our internal expectations and importantly demonstrated a more normalized level of activity and

earnings capability. While we do expect some regularly scheduled maintenance and downtime at one of our major host fields in the second quarter, which will impact volumes and margins, it is clear that volumes from our existing fields, combined with steady volumes from Murphy Oil's operated King's Quay development, LLOG's operated Spruance development and the number of sub-sea tieback and development wells from last year continue to drive strong and steady performance in our offshore segment. In mid-April, we started to receive first oil from BP's operated Argos floating production facility which is supporting the 14 wells pre-drilled and completed at BP's operated Mad Dog 2 field. Based on BP's recent public disclosures we would expect volumes from Argos to ramp over the remainder of 2023 with 100% of the volumes flowing through our 64% owned and operated CHOPS pipeline for ultimate delivery to shore.

As many of you know, Argos is the second major new production facility to come on-line that is connected to our system in as many years. It is important to remember that these types of projects are years and sometimes decades in the making…and we currently have contracts in place for two more of these deepwater production facilities at the Shenandoah and Salamanca developments which are expected to come on-line in late '24 and early '25, respectively.

To provide some additional context, the combination of these 4 new production facilities, Kings Quay, Argos, Shenandoah and Salamanca, represents roughly 400,000 barrels per day of incremental production handling capacity to be connected to our integrated pipeline infrastructure. Based on the latest data from the EIA, at full utilization, this incremental 400,000 barrels a day would be roughly the equivalent of approximately seven percent of the Permian Basin's total current production, or approximately thirty five percent of the Bakken's total, or even approximately thirty five percent of the Eagle Ford's total current production.

The volumes from these four new facilities are one hundred percent dedicated to our system

for the life of the fields and useful life of the production platform, which in most cases is 30 to 40 plus years…or longer. The initial reservoirs to be exploited represents hundreds of millions of barrels of already identified recoverable reserves and perhaps multiples of that to be discovered, developed and ultimately handled across these deepwater production facilities and transported through our pipelines for decades to come.

The sheer size and scale of the deepwater is underappreciated I think…especially when compared to the onshore shale plays. Let me repeat, notwithstanding the five to six hundred thousand barrels of oil we currently touch every day, at full utilization these four new production facilities alone represent new business opportunities for Genesis equal to approximately seven percent of the total production coming out of the Permian today…thirty five percent of the total coming out of the Bakken…and around thirty five percent of the total production coming out of the Eagle Ford shale today. I might also point out that our fees per barrel transported are going up…not down as is being experienced in a number of onshore basins.

As we look out past 2025, we would be remis to not mention the results of the BOEM's recent lease sale number 259 which was held on March 29th, consistent with the requirements laid out in the Inflation Reduction Act. The results of the lease sale would indicate there is still significant long-term interest in the geographies of the central Gulf of Mexico where our existing pipeline infrastructure seems to be the most competitive alternative to get new production to shore. The lease sale raised approximately $264 million dollars in high bids for 313 tracks covering roughly 1.6 million acres in federal waters of the Gulf of Mexico.

If you dig into the results a little further you will see that approximately 715,000 acres, or approximately forty percent of the total lease sale, was located in the central Gulf of Mexico, with most of that activity being in the vicinity of our SEKCO pipeline, which is the only existing

pipeline in Keathley Canyon, as well as our new SYNC pipeline which extends from our CHOPS pipeline through Garden Banks, across the southwestern portion of Green Canyon and in to the Walker Ridge area in the Gulf of Mexico.

Finally, the list of companies who participated in the lease sale was a who's who in investment grade integrated and independent operators, along with other private and well capitalized independents that have a long track record of success in the Gulf of Mexico. Most of these operators have opportunities onshore but are continuing to spend billions of dollars in the Gulf of Mexico. While the deepwater is more capital intensive and a longer cycle investment when compared to onshore shale plays, we believe this continuing allocation of significant capital confirms that the ultimate returns on investment are at least equal, if not better, than onshore shale plays and has the added benefit of being significantly less carbon intensive. For those of us who are well-positioned, the current and expected future activity in the Gulf of Mexico represents decades and decades of future segment margin and EBITDA.

Turning now to our soda and sulfur services segment. The near-term macro story for soda ash has softened somewhat since last quarter and seems to be moving from an extremely tight market to a more well-balanced global market, which I would characterize as a more normal and healthier environment, from a longer-term perspective. As we mentioned in the release, we have started to hear from some of our distributors and direct customers, primarily in our export markets, that they are starting to see some slowdown in demand downstream and thus are managing their supply chains and inventory levels accordingly.

Nonetheless, we did in fact see prices for our uncontracted export volumes increase in the second quarter when compared to the first quarter. As a result, we have now contractually agreed on the pricing for approximately 90% of our anticipated sales volumes of soda ash and related

products in 2023, including our new soda ash volumes from Granger, and even if prices somewhat soften in the back half of the year, we still expect our weighted average price to exceed the weighted average price we received in 2022.

Near term, we continue to monitor the re-opening of China and its economy with early indications suggesting their economy recently grew at its fastest pace since first quarter 2022 and certainly more than it did during their Covid lockdown periods, which could be constructive to worldwide supply/demand balances and soda ash prices as we move through the rest of the year. Current projected soda ash demand growth within China, bolstered by their tremendous solar glass production expansions, would likely absorb most of China's existing synthetic soda ash production and any new natural production within the region when and if it comes on-line later this year.

Additionally, we were not alone in having to curtail production out of southwestern Wyoming in the first quarter. We estimate that approximately 300,000 tons, if not more, of soda ash did not…and will not…make its way into the supply chain or ultimate end use market for soda ash. This will without question result in tighter supplies worldwide over the next several quarters, everything else the same.

In the intermediate and longer term, soda ash demand has tracked well with industrial production over longer periods, with annual growth rates of approximately 2 – 3 percent per year over time. On top of industrial production driven demand growth, the recent demand for soda ash associated with the green transition…and specifically lithium batteries and solar panels…is expected to accelerate overall demand. In response to the estimated demand growth globally over the next decade, the market has seen a few smaller natural brownfield expansions announced, including our Granger expansion, that will help fill the expected supply/demand gap in the short term. Even with these expansions, the supply/demand forecasts for soda ash would suggest there

needs to be much larger natural greenfield expansion to help fill the gap towards the end of the decade. The cost to build these large, greenfield expansions is very high, both on an absolute dollar and a per ton basis…and the implications for existing soda ash producers should be positive over time.

Based on public meetings and industry data, a new natural, greenfield development in Green River, Wyoming in today's world is estimated to cost anywhere between one thousand to twelve hundred dollars per ton of capacity installed. In order to justify and finance these capital expenditures, we believe one would have to be convinced they would comfortably make at least 100 - 120 dollars per ton net margins, over a cycle, to simply make a minimally adequate return. If these margins were in fact achievable and necessary to balance the market in future periods, our roughly 4.8 million tons of production capacity per year, pro-forma for the Granger expansion, would be capable of generating upwards of $500 million dollars of segment margin annually.

Whether future incremental demand is supplied by new natural greenfield soda ash production or higher cost synthetic production, we believe soda ash prices and margins, over the long term, will trend higher to help justify these capital and operating costs. Regardless of how the remainder of 2023 looks, or whether there is a broader economic slowdown next year, we believe we are well positioned to benefit from this broader trend over time…and, as a result, the value of our existing operations should continue to rise over the years and decades ahead.

Our legacy refinery services business continues to be a steady contributor for Genesis. We continue to utilize our proprietary technology to provide the most environmentally benign services to remove sulfur at our host refineries. The largest end market for our sulfur-based products remains copper mining. Given what seems to be the globe's insatiable appetite for copper over the coming decades, given its importance as a fundamental building block of the global economy

and importantly its vital role in the green energy revolution and the electrification of our economies in a low carbon world, we continue to believe we are well positioned to see steady earnings from this business for many many years to come.

Our marine transportation segment continues to exceed our expectations as market conditions and demand fundamentals continue to support activity levels at or near one hundred percent utilization for all classes of our vessels. While there continues to be reasonably robust refinery utilization rates, the increasing demand for marine equipment to move renewable diesel to the West Coast, has effectively reduced the practical supply of marine equipment on the Gulf Coast and the East Coast. This practical reduction in supply combined with the continuing retirement of older tonnage…the increased maintenance cycle that is a result of all of the new equipment that was built 5 to 10 years ago…and practically zero construction of new equipment over the last couple of years has resulted in an effective structural shortage of Jones Act vessels. This market dynamic has driven spot day rates and longer-term contract rates across our various asset classes to their highest levels in the last decade.

Given the increased cost of steel and long-lead times to build new equipment, which in some cases is up to 3 – 4 years for the larger vessels, we believe that day rates today still do not support the construction of new equipment. In fact, we believe day rates would need to increase significantly from today's rates and be maintained over a cycle, to justify the construction of new equipment. This general sentiment has recently been echoed by our peers, and we believe this should continue to drive our realized average day rates higher as each of our existing spot and term charter contracts come up for renewal. Like our soda ash business, if day rates were in fact to continue to rise to support new construction, we would undoubtedly be the beneficiary of such a rise and the value of our existing fleet quote unquote "on the water" should continue to increase

over time. In our estimation, this macro environment should support strong financial performance from our marine segment for the foreseeable future and certainly over the next few years.

Touching briefly on our balance sheet, we continue to expect to spend between $400 - $450 million, net to Genesis, in growth capital expenditures this year to complete our Granger soda ash expansion project and make meaningful progress on our offshore growth projects. We remain extremely focused on finalizing these projects at the same time not losing focus on our leverage ratio. We remain well positioned to complete our capital program in the next 12-18 months and then will be able to begin harvesting the increasing amounts of free cash flow…continue simplifying our capital structure and create increasing value for everyone in our capital structure all while maintaining and strengthening our financial flexibility.

I would like to make a few comments on the senior management changes we recently announced. The reality is it will be business as usual at Genesis and these promotions reflect the contributions Kristen, Ryan and Louie have been making over the past several years. They, along with their respective teams, have been running the corporate functions on a day-to-day basis and have been intimately involved, in addition to our business unit leaders and all our hard-working and dedicated employees, in achieving the results we are starting to see. The board and I are confident they are the right people, in the right positions, at the right time, and represent a new generation of leaders to continue building long-term value for all of our stakeholders in the years to come.

I am also today pleased to say that we have published our inaugural ESG report and have posted it on our website. This report should provide some additional disclosures and information that is often requested by our stakeholders. We will endeavor to provide additional disclosures as we move forward and would expect to release our 2022 report in the third or fourth quarter later

this year.

We have also posted a new earnings supplement presentation to our website that details the key takeaways and highlights from our first quarter earnings, and I would encourage everyone listening to the call to read it to the extent that you have time.

Finally, I would like to say the management team and board of directors remain steadfast in our commitment to building long-term value for all of our stakeholders, 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 individual efforts and unwavering commitment to safe and responsible operations. I am extremely 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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