2023 Second Quarter
Results Conference Call
August 3, 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 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 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 second quarter were slightly ahead of our internal expectations and once again demonstrated the resilient earnings power of our diversified market leading businesses. Notably, because of steady production across our footprint, along with a continued ramp in volumes from BP's Argos facility…which achieved first production in April and has ramped quicker than we expected…our offshore pipeline transportation segment was able to overcome a slightly longer than anticipated planned producer downtime at one of our major host fields in the Gulf of Mexico. During the quarter, our soda ash business also returned to normal operating levels as rail service in and out of Green River, Wyoming was restored to adequate levels. In addition, our marine transportation segment continued to exceed our expectations, driven in large part by continued tightness for Jones Act equipment.

As we look ahead to the remainder of the year, our expectation of continued strong performance from our offshore pipeline transportation and marine transportation segments will likely be somewhat offset by softer than previously expected soda ash prices, primarily in our export markets. Slowing industrial activity worldwide, a slower re-opening of China's economy than we had anticipated just three months ago, as well as anticipated new natural soda ash production from the Berun facility in Inner Mongolia, has driven many consumers of soda ash, especially in Asia and Latin America, to work down existing inventories and ultimately delay

purchases of new soda ash volumes here in the back half of 2023. When existing customers delay their purchasing activity, or otherwise refuse to take contracted volumes at the then contracted price, the most efficient option for us is to find a home for these potentially stranded volumes at the highest net-back price we can get to ensure the tons move so we can operate at full utilization to spread out our fixed costs and minimize our average total cost of production per ton.

As discussed in this morning's release, we are today adjusting our full year guidance for Adjusted EBITDA to a range of $725 - $745 million for the full year, which is only a little over 5 percent below our original guidance range, if you exclude the $15mm dollars we did not realize in the first quarter due to factors outside of our control like weather and inadequate railroad service. As you may recall…in 2022, we, in fact, exceeded our initial annual guidance by more than 15 percent, even after excluding the approximately $41mm of non-recurring income we received in 2022.

Having said that, let's put this revised 2023 outlook in perspective. First, we are still going to deliver record annual Adjusted EBITDA for the partnership. Second, we are going to deliver record segment margin for our offshore pipeline transportation segment. Third, we are going to deliver segment margin for our marine transportation business that we have not seen since 2015. And finally, even with the outlook for the rest of the year, it is still likely we will deliver a record contribution from our soda ash business. Furthermore, the midpoint of this revised guidance range is still delivering our stakeholders with consolidated sequential growth in a range of 8 to10 percent over our normalized 2022 performance, which again excludes the roughly $41 million of non-recurring income we received last year. Importantly, we also continue to expect to exit the year with a leverage ratio, as calculated by our senior secured lenders, at or slightly above our long-term target leverage ratio of 4 times. Additionally, we expect to cover our current distribution to

common unitholders by some 4.3 times for the full year of 2023…not 1.3 nor 1.6…but 4.3 times.

Looking through this short-term noise, I can sit here today and say the long-term outlook for Genesis has not changed and remains as constructive as I have ever seen it. We remain very excited about the expected ramp in our earnings in the coming years and the resulting flexibility to deliver long-term value for all of our stakeholders. As we mentioned in the release, we currently expect our financial performance in 2024 to be greater than 2023 driven in large part by a known, contracted, and identified ramp in offshore volumes, steady performance from our marine transportation segment, a recovery in the supply related underperformance in our sulfur services business, and the additional soda ash volumes we expect to produce and sell from our nearly completed Granger expansion. Then, in 2025, we would expect a significant step change in our offshore volumes and segment margin contributions as both Shenandoah and Salamanca are expected to come on-line.

Despite some expected volatility in soda ash margins over time, this ramp in expected earnings gives us a clear line of sight to generate roughly $200 - $300 million (maybe even $400 million) dollars per year of cash flow after all of our cash obligations…including interest payments, preferred and existing common unit distributions…at the current levels…maintenance capital requirements, principal payments on our Alkali senior secured notes, de minimus growth capital, etc., starting in late 24 and accelerating into 2025… an enviable position for a company our size.

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 despite longer than anticipated planned producer downtime at one of our major host platforms. This extended downtime was partially offset by a quicker than

anticipated ramp in volumes from BP's operated Argos facility and steady volumes from Murphy's operated King's Quay, as well as baseload volumes from our other existing host fields. As we mentioned last quarter, 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. Argos is currently producing approximately 70 thousand barrels of oil from just 4 of their 14 existing wells. Consistent with BP's public disclosures, we would expect volumes from Argos to ramp over the remainder of 2023 towards its nameplate capacity of 140,000 barrels per day with 100% of the volumes flowing through our 64% owned and operated CHOPS pipeline for ultimate delivery to shore.

In addition to the 14 wells at the Mad Dog 2 field, BP recently announced a successful appraisal well that is an extension of the existing Mad Dog complex and could be developed through a 3 to 5 well tie-back to Argos, or perhaps to either of the existing Mad Dog or Atlantis production facilities. This is yet another example of additional economic sub-sea tieback opportunities that exist once a host production facility is in place. All the volumes coming across Argos, Mad Dog and Atlantis will continue to add to our steady base of volumes flowing through our industry leading crude oil midstream footprint in the central Gulf of Mexico for decades and decades to come.

As we look ahead to the new volumes from Shenandoah and Salamanca in late 24 and early 25, it is important to know that we remain on schedule, and importantly on budget, with our CHOPS expansion and the new SYNC pipeline…with completion for both expected in the second half of 2024. The combined 160,000 barrels of oil per day of incremental contracted production handling capacity is underpinning our investment and will provide Genesis with an approximate 5 times construction multiple. This 5 times multiple is based solely on the firm minimum volume

commitments, which as a reminder is set at approximately 60 to 70 percent of the volumes the operators expect to actually produce. Additionally, all of the new capacity we are currently installing is not contracted with these first two…quote/unquote, anchor fields, as we like to call them. Therefore, to the extent the anchor fields exceed these minimum volume levels…which we would expect…, or if we are able to secure incremental third-party volumes on our expanded assets…and I am confident we will… our construction multiple will go down accordingly.

I know I have said this before, but I feel that it is important to reiterate that the activity levels we are seeing in the Gulf of Mexico continue to be as robust as I have seen them in my thirty plus years of focusing on the Gulf of Mexico. There has been some recent industry discussion that the majority of the perceived Tier 1 acreage in short-cycle, onshore shale basins is getting closer to full development…and as a result, you could see production levels plateauing. Whether or not you believe this, I can tell you this…we are seeing both existing and new operators, with vast acreage positions in the Permian and other onshore shale basins, looking to supplement their short-cycle onshore production with longer-cycle, larger scale, cost efficient and lower carbon intensity production in the deepwater, which only adds to the future long-term prospects of the Gulf of Mexico.

The onshore shale basins really became exciting 15 to 20 years ago with the technological breakthrough of hydraulic fracturing. I can share that there are two significant technological breakthroughs that are driving this dramatic increase in activity in the deepwater Gulf of Mexico that we've repeatedly referenced. First, there have been significant advancements in obtaining…and algorithmically processing…seismic data that allows the producing community to better identify and define geologic prospects, especially below salt, and thereby significantly reducing the exploratory risk and development costs of these world class reservoirs. Second, there

have been significant advancements in the technology required to safely and responsibly exploit and produce hydrocarbons from high pressure and high temperature reservoirs, with some pressures exceeding 20,000 psi. These technologies have been proven now by a number of operators…and, as a result, entire new development horizons are being opened up in the Gulf of Mexico that simply were technologically out of reach just 3 or 4 years ago.

As the leading independent midstream provider for crude oil produced in the deepwater areas of the central Gulf of Mexico, we are super excited about the future prospects of our core business, and we continue to believe the combination of strong, resilient, steady and growing base volumes combined with contracted growth projects underpinned by firm take-or-pay agreements…and the expected future activity described above…all will provide the foundation for growing and stable cash flows from our offshore pipeline transportation segment for decades and decades ahead.

Turning now to our soda and sulfur services segment. While our soda ash business did return to a more normal operating quarter during the second quarter, the broader macro story for soda ash has continued to soften…and now seems to have quickly moved from a well-balanced global market into a somewhat oversupplied market, primarily in our export markets. As we looked back over the last 12-18 months, we have seen…and were ultimately the beneficiary of, a market that saw unprecedented demand growth for soda ash combined with lower global supply and an increasing cost structure for synthetic producers as a result of higher energy input costs… all of which ultimately drove pricing and margins to all-time record highs.

While we all had hoped this environment would last forever…in retrospect, it was never realistic to expect to continue at those margin levels for an extended period of time…and we ultimately knew soda ash prices and margins would return to historical averages at some point in

the future. As we sit here today, the combination of slower global industrial production, a slower re-opening of China's economy and anticipated new global natural supply would suggest that pricing and margins will in fact return to historical averages sooner rather than later. Even with this revised outlook for the remainder of the year, we still believe we are likely to achieve the highest contribution in the history of our soda ash business this year.

It is important to remember that soda ash is a manufacturing business that produces a product…that in most applications, has no known substitutes. Rather, our soda ash competes with an identical… synthetically produced product that generally costs twice as much to manufacture and has a far inferior environmental footprint relative to our own natural production. As a result of this cost advantage, naturally produced soda ash, which is all we do, is the base load supply to the worldwide market throughout normal economic cycles. Less than 30 percent of the world's demand for soda ash is supplied by natural production. The other 70 plus percent of global demand is supplied by synthetically produced soda ash. So…at the margin, market clearing prices must be high enough to cover the relatively high costs of a synthetic producer and a natural producer will ultimately benefit and receive a relatively higher margin because of its lower cost structure. If you're gonna be in a commodity business, this is the kind of economic position you want to be in.

As we stated in the release, for the last 17 years, pro forma for the Granger expansion, this business has generated an average margin of approximately $50 dollars per ton, and that includes through the down years during the great recession of 2008 and 2009 and the black-swan Covid pandemic years of 2020 and 2021. Pro forma for the Granger expansion…we believe our approximately 4.8 million tons of production per year should generate, on average, approximately $240 million per year for us, plus or minus, over a normalized cycle…around $200 million in an off year, absent a black swan event, and maybe as much as $280 to $300 million in a good year

like we experienced just last year.

While there will always be some expected volatility in the segment performance given soda ash is a commodity, I would point out that this business…on its face…is not unlike some of our midstream peers that also have a portion of their earnings that is subject to commodity price volatility… whether crude prices, natural gas prices, NGL prices, NGL/nat gas spreads, or basin differentials. I guarantee…none of these peers have the advantages of being a market leader in a commodity that has no known substitute, only competes with something that generally costs twice as much to make, and has a reserve life of 3 or 4 hundred years.

As North America's largest producer of natural soda ash, a commodity that remains a fundamental building block of global economic activity and continues to play an increasing role in the energy transition…from solar panels…to batteries for electric vehicles and renewable energy…we remain extremely bullish on the long-term fundamentals of the soda ash business, regardless of any quarterly or annual price volatility.

Our Granger expansion remains on schedule to have first soda ash "on the belt" towards the end of the third quarter or early in the fourth quarter. The incremental 750,000 tons will expand the total production capability of Granger to approximately 1.3mm tons of soda ash per year. These effectively "free" incremental tons will not only be additional tons to sell at a margin starting later this year and into 2024, but they will also help further reduce Granger's cost structure as we will soon be able to absorb Granger's fixed costs over the approximately 1.3 million tons instead of its original 500,000 tons of annual production. We would also reasonably expect to be able to further optimize and ultimately debottleneck the expanded Granger facility to gradually increase production and continue to lower its operating costs over the coming years with minimal investment required.

Recently, we haven't spent a lot of time discussing our sulfur services, or what we used to refer to as our refinery services business. Just to remind everyone, we are by far the largest producer of sodium hydrosulfide in North America, and also…by far the largest supplier of sodium hydrosulfide in North…as well as South America. 2023 has and will be one of the worst years in recent memory for the financial contribution from this business, which has averaged around 65 million of segment contribution margins for the 17 years that we've owned it. This is strictly driven by supply issues, with operating difficulties at a number of our host refineries where we have facilities to handle the host's sulfur issues and make sodium hydrosulfide that we in turn take in kind and sell. We can sell everything we can make…we just haven't been able to make as much as we can sell due to various operating issues at our host refineries.

Our 2023 guidance reflects a reduction in the contribution from this market-leading business of around 30 million dollars from 2022…and around 20 million from its historical average. We are doing everything we can to address our supply issues… and we believe we can get this business back on that average trend over the next several years.

Our marine transportation segment continues to meet or exceed expectations as market conditions and demand fundamentals continue to remain steady. We continue to operate at or near one hundred precent utilization for all classes of our vessels…driven in large part by a continued shortage of Jones Act tonnage. This lack of new supply and ongoing retirements of older Jones Act vessels…combined with steady demand, continues to drive spot day rates and longer-term contacted rates across our fleet approaching and hopefully soon to be exceeding the highest levels we have seen during our ownership of the Marine business.

As we mentioned in our earnings release, we recently entered into a new three-and-a-half-year contract for the American Phoenix with a credit-worthy counterparty. The new contract term

will begin immediately following its current contract that runs through mid-January 2024… and will provide Genesis with the highest day rate we have ever received on the American Phoenix since we first purchased the vessel in late 2014.

This new contract is indicative of the broader market today for Jones Act vessels, with multiple potential customers looking to secure adequate tonnage over multiple years to move crude oil or refined products along the Gulf Coast, into the heartland, or to and from the Gulf Coast, East Coast and West Coast. We believe these broader industry fundamentals should continue to remain favorable for both our brown and blue water fleets for the foreseeable future and thus could provide us with more opportunities to term out larger portions of the earnings profile from our marine transportation to the extent it makes sense. Regardless, these market conditions, when combined with the American Phoenix now effectively being contracted through the middle of 2027, should set up our marine transportation segment to deliver higher and steady earnings for the next few years. As a competitor said recently, the marine transport business is in the very early innings of an upwards cycle, and day rates must meaningfully increase from where we are today to induce the construction of significant new tonnage across all classes of vessels. We like our position.

As we look ahead, we continue to remain focused on completing our capital program in the next 12-15 months all while not losing focus on our leverage ratio. As I mentioned earlier…and will reiterate again…the long-term story for Genesis has never been brighter. Upon the completion of our current growth capital program, we expect to start generating approximately $200 - $300 million dollars (and maybe $400 million) per year of cash flow after all…let me repeat…after all cash obligations I mentioned earlier…starting in late 24 and accelerating into 2025. This will provide us with ample opportunity to deliver increasing value for everyone in our capital structure, while maintaining and strengthening our financial flexibility as well as potentially simplifying our

balance sheet.

I would again like to encourage everyone listening to this call to review our earnings supplement presentation on our website that details the key takeaways and highlights from our second quarter earnings 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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