2023 Third Quarter
Results Conference Call
November 2, 2023

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[Grant]

Good morning to everyone and thank you for listening to the call. We have seen a steady increase in the number of registered participants for our earnings calls over the last few quarters and we are encouraged that our story is generating interest from an increasing number of both fixed income as well as equity investors.

As we mentioned in our earnings release this morning, our financial results for the third quarter were ahead of our internal expectations… and once again demonstrated the resilient earnings power of our diversified market leading businesses. While our offshore pipeline transportation segment continued to benefit from steady volumes across our existing footprint and the increasing volumes from BP's Argos facility, we also saw an uplift of some eight to ten million dollars as a result of zero downtime associated with any weather-related events in the Gulf of Mexico… that would have otherwise caused our shippers to limit their production activities during the quarter. Our soda and sulfur services segment performed in line with our expectations and our marine transportation segment continued to exceed our expectations, driven in large part by the continued tightness for Jones Act equipment. This strong financial performance resulted in our leverage ratio, as calculated by our senior secured lenders, ending the quarter at 3.92 times… and a coverage ratio for our current distribution to common unitholders of 4.84 times.

As discussed in this morning's release, we expect the remainder of the year to consist of

strong performance from both our offshore pipeline transportation and marine transportation segments being somewhat offset by marginally weaker performance in our soda ash operations… driven in large part by some weakness in soda ash prices… primarily limited to our export markets. These expectations, nonetheless, should allow us to deliver full-year results at or above the midpoint, if not approaching the top end, of our full year guidance of Adjusted EBITDA of $725 million to $745 million.

While it is somewhat disappointing that the challenging macro conditions affecting our soda ash prices are cropping up here in the short term, it is important to remember that we are still going to deliver… record annual Adjusted EBITDA for the partnership…along with record segment margin for our offshore pipeline transportation segment… at or near record segment margin from our marine transportation segment… and still a near record contribution from our soda ash business… in spite of the weakness in soda ash prices in the back half of the year. Importantly, we will also continue to expect to exit the year with a leverage ratio, as calculated by our senior secured lenders, at or near our long-term target leverage ratio of 4 times… and a coverage ratio of our current distribution of more than 4.5 times…all with clear visibility to increasing EBITDA in future periods.

As we look ahead to next year, we expect to see continued growth offshore from Argos, along with additional volumes from new sub-sea tiebacks and continued in-field drilling… combined with marginally increasing performance from our marine transportation segment. While we have had limited conversations with our soda ash customers for pricing under contracts that are open in 2024, we believe any continuing weakness in soda ash prices will likely be partially offset by the additional 750,000 new tons we have coming on-line from the Granger expansion project and the corresponding reduction in our average operating cost per ton.

Regardless of the makeup of our 2024 results, and any uncertainty that might exist today, it is important to remember that the long-term outlook for Genesis remains in-tact… and as strong as I have seen it during my tenure at the company. In fact, 2024 should really be viewed as a transition year for Genesis as we expect to complete our ongoing growth capital expenditures in mid to late 2024… in advance of the significant step changes in offshore volumes and corresponding segment margin contributions beginning in late 2024 and accelerating into 2025 as the Shenandoah and Salamanca developments are expected to come on-line. The combination of these events will provide us with increasing amounts of cash flow… after all our cash obligations… and generate increased financial flexibility to continue to simplify our capital structure, return capital to our stakeholders and ultimately allow us to continue to build long-term value for everyone in the capital structure for many years ahead.

Now I will touch briefly on our individual business segments.

Our offshore pipeline transportation segment performed ahead of our expectations, driven in large part by robust volumes across our system and a hurricane season where we saw no downtime during the quarter as a result of any weather event that would have otherwise impacted the production of our customers. We continued to see a steady increase in volumes from BP's Argos facility, which is fast approaching 90,000 barrels per day, and strong volumes from our host fields and platforms. We continue to expect to see steady and increasing volumes from Argos over the balance of the year and into 2024… as BP further optimizes the facility and brings on additional wells towards its nameplate capacity of 140,000 barrels per day. In addition to the volumes from Argos, we are also seeing new volumes from additional sub-sea developments such as Woodside's Shenzi North project and Quarternorth's Katmai project, both of which commenced production in the third quarter and will be on-line for a full year in 2024. These are yet again multiple examples

of additional sub-sea tiebacks and/or development opportunities that were discovered at or near existing fields on active and valid leases in the Gulf of Mexico.

While there remains decades and decades of these types of incremental opportunities on or around existing infrastructure and on active and valid leases in the Gulf of Mexico, I wanted to touch briefly on some of the direct and indirect efforts to not follow long-standing laws passed by Congress and attempting to inhibit oil and gas activity in the Gulf of Mexico.

As many of you might have seen in the news over the last few months, the Department of Interior's lease sale #261 was originally scheduled to occur on or before September 27th, but in August the current administration announced it would shrink the leasing area by some 6 million acres due to some perceived risks to an endangered species. After multiple lawsuits, the U.S. District Court for the Western District of Louisiana blocked the restriction and ordered the sale to include the 6 million acres in question. The delay caused the Department of Interior to push the lease sale back to November 8th. Then, in late October, the U.S. Fifth Circuit Court of Appeals stayed the earlier order until it reached a decision on the appeal of such order. In addition to challenges around lease sale #261, the administration is also trying to limit future lease sales in the Gulf of Mexico through the end of the decade to three lease sales versus the historical semi-annual lease sales that are required in the Outer Continental Shelves Land Act passed by Congress in 1953. While these efforts to impact federal leasing in the Gulf of Mexico are unfortunate, we do not believe they will play any significant role in impacting the short to medium to long term outlook for Genesis in the Gulf of Mexico… given the tremendous amount of acreage that is already held by production and/or held under existing…and valid… leases around our industry leading footprint.

We think it is interesting and important to understand the sheer size and scale of the Gulf

of Mexico as a world class hydrocarbon basin. According to the Bureau of Ocean Energy Management, over 12.1 million acres in the Gulf of Mexico are held under active leases, with over 68% of them being located in the deepwater. Of these 12.1 million acres, production has been established under only 2.7 million acres… with the remaining 9.4 million acres under existing, valid leases either held by production through unitization…which is commonplace in the Gulf since there's only one landowner and one royalty owner… or under a primary ten-year lease term… or under an already agreed extension of its primary lease term.

To put this in perspective, the 9.4 million acres of leased… but as yet undeveloped acreage… is more than 6.5 times the size of ExxonMobil's total gross acreage position in the Permian basin post their recent acquisition of Pioneer. Suffice it to say, there is a tremendous resource in the Gulf of Mexico that has yet to be explored under existing and valid leases… and it should undoubtedly provide for decades and decades of drilling inventory and future production volumes…a large percentage of which should find their way to our industry leading infrastructure in the Central Gulf of Mexico.

Furthermore, a study conducted by researchers at the University of California at Davis and Louisiana State University, published in May 2023, found that more than 4.4 million oil and gas wells had been drilled in the U.S. Of those, only approximately 113,000 of these wells were located offshore or in coastal waters. And yet, according to the EIA, production from federal offshore wells have averaged approximately 21% of total U.S. production over the last two decades. The sheer size and scale of the resource in the Gulf of Mexico being produced from such a relatively small percentage of the existing and valid leases…its proximity to the Gulf coast refinery complexes… and its industry leading low greenhouse gas footprint… is extraordinarily impressive and fascinating to us…and some of us have been working this basin, from an

infrastructure point of view, for well over thirty years.

All of these attributes provide further evidence as to why we have seen a number of operators turning their focus away from onshore shale basins… as these basins have seen, or will soon see, peak production… and they have instead started to focus on the Gulf of Mexico…where production is increasing… there is a vast swath of undeveloped acreage…and countless new large-scale developments, both sanctioned and yet to be sanctioned,… on the horizon.

Along these lines, we have successfully laid the 105 miles of the SYNC lateral and remain on schedule and importantly on budget with this project and our CHOPS expansion project, both of which we expect to be ready for service in the second half of 2024. The contracted Shenandoah and Salamanca developments and their combined 160,000 barrels of oil per day of incremental production handling capacity remain on-schedule and will be additive to our then base of volumes in 2024. These two new projects, combined with our steady base volumes and an increasing inventory of identified sub-sea tiebacks, provides us with the visibility to generate north of $500 million per year of segment margin starting in 2025. All of this is to say… we remain well positioned to deliver steady, stable and growing cash flows from our offshore pipeline transportation segment for many years to come.

Turning now to our soda and sulfur services segment. Our soda ash business generally performed in-line with our expectations during the quarter, despite continued weak economic data out of China and the continued increase in new natural production from Inner Mongolia. The combination of these factors is contributing to an increase in apparent export volumes from China which in turn is applying downward pressure on soda ash prices in these export markets in Asia. In addition to weaker economic data in Asia, we have started to see slowing economic data both in Europe and in the U.S.…most notably in the container glass industry. Given these factors…

and the anticipation of additional volumes from China… one might reasonably expect to see some level of supply rationalization… sooner rather than later… as higher cost synthetic production becomes increasingly uneconomic in Europe and China at today's prices. Alternatively, a recovery in global economic activity and a return to historical growth levels, with a focus on the domestic market in China… when combined with the green shoots from the growing demand from lithium and solar panel customers… could also help the soda ash market to balance much quicker than in prior periods of oversupply.

It is likely going to be a combination of both supply and demand responses that will help the soda ash market return to a more balanced market than what we have seen in the last six months. The ultimate timing of a recovery is somewhat uncertain, and it could conceivably take 12 to 18 months to become tight again…but it undoubtedly will.

Accordingly, it remains increasingly important to be at the lower end of the global cost curve during periods of price uncertainty. All natural producers of soda ash, which only supply approximately 28% of global demand, enjoy this advantage… with operating costs of about half of the costs of synthetic producers, which supply the other 72%, and in general, a significantly smaller environmental footprint relative to synthetic producers. Furthermore, those natural producers with solution mining operations have the absolute lowest cost of production…and thus continue to have a competitive advantage over all producers during periods of excess supply and/or lower demand. Increasing our exposure to low-cost solution mining was a central investment thesis in our Granger expansion project, and once fully ramped… roughly half of our total production capacity will be from solution mining. Our combination of both dry ore mining and solution mining provides us with a U.S. industry leading cost structure that will continue to allow us to run at full utilization… and sell every ton we can safely produce to optimize our fixed costs

for this year and in the many years ahead… regardless of the broader economic and pricing environment.

As stated in our earnings release, we have recently started the commissioning activities with our Granger expansion project… and expect this work to continue over the remainder of 2023. Starting in early 2024, we expect the expansion to be fully on-line and ultimately adding approximately 750,000 tons a year…with a very attractive marginal operating cost per ton… to our supply capabilities in 2024… that will both increase our sales volumes and lower our operating costs per ton at Granger and throughout our entire soda ash operation. Pro-forma for the Granger expansion, we continue to believe our 4.7 – 4.8 million tons of annual soda ash production capacity will provide us with the cost structure and scale to be successful across all economic cycles. Despite some expected near-term volatility in soda ash prices, we remain extremely bullish on the long-term fundamentals of the soda ash business… and believe we are well-positioned for the future.

Our marine transportation segment continues to meet or exceed our expectations as market conditions and demand fundamentals continue to remain steady. As mentioned in the release, we continue to operate with utilization rates at or near 100% of available capacity for all classes of our vessels as the supply and demand outlook for Jones Act tanker tonnage remains structurally tight. This structural change in market dynamics has been driven by a combination of steady and robust demand…the continued retirements of older equipment… and effectively zero new construction of our types of marine vessels. This lack of new supply of marine tonnage, combined with strong demand continues to drive spot day rates and longer-term contracted rates in both of our fleets to record levels.

To provide some additional context, we, along with other industry participants, continue to

believe that current day rates are still not yet high enough to justify the construction of new marine equipment. In addition to the significant cost of a new vessel, the long construction period…which can be 3 to 4 plus years in some cases for larger vessels… the lack of available shipyards to build a new vessel…and the need to keep day rates elevated through the construction period… and for a prolonged period of time once on the water to justify the construction…all point to a market that should remain structurally tight for the foreseeable future. These broader fundamentals… combined with our increasingly termed out contracted portfolio… including the new three-and-a-half-year contract for the American Phoenix we announced last quarter that starts in January…all lead me to believe our marine transportation segment is well positioned to deliver growing and steady earnings over the next few years.

As we look ahead, we continue to remain focused on completing our growth capital program in the next 12 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 and remains in-tact. We are comfortably positioned to generate significant cash flows starting at the end of 2024 and accelerating into 2025… which will provide us with tremendous flexibility to further optimize our capital structure and return capital to all of our stakeholders. In advance of this additional cash flow, we have utilized a portion of our available liquidity this year to opportunistically re-purchase $75 million of our Series A preferred equity… at a discount to the contracted call premium… as well as purchase 114,900 of our common units at an average price of $9.09 per unit. As we have stated in the past, we will continue to be opportunistic in acquiring any security across our capital structure… to the extent we feel they remain mispriced in the market.

As we have an increasingly clear line of sight to generating roughly 200 million to 300

million… or more, per year of cash flow starting in 2025… we will continue to evaluate the various levers we can pull to return capital to our stakeholders… including paying down debt…raising our common distribution… repurchasing additional amounts of our corporate preferred security… or continuing to purchase our common units or mis-priced debt securities… all while maintaining an appropriate level of liquidity… and of course maintaining a focus on our long-term leverage ratio.

Finally, I would like to say the management team and the board of directors remain steadfast in our commitment to building long-term value for all 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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