2016 First Quarter
Results Conference Call
May 4, 2016

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 2016 First Quarter Conference Call for Genesis Energy. Genesis has five 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 Onshore Pipeline Transportation Division is principally engaged in the pipeline transportation of crude oil. The Refinery Services Division primarily processes sour gas streams to remove sulfur at refining operations. The Marine Transportation Division is engaged in the maritime transportation of primarily refined petroleum products. The Supply and Logistics Division is engaged in the transportation, handling, blending, storage and supply of energy products, including crude oil and refined 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 First Quarter 2016

[Grant]

Good morning and welcome to everyone.

This morning, we reported Available Cash before Reserves of 97.8 million dollars, providing 1.32 times coverage of the total distribution we will pay on May 13, 2016. That distribution of 67.25 cents per unit represents the 43rd consecutive increase in our quarterly distribution, 38 of which have been greater than 10 percent over the prior year's quarter and none of which has been less than 8.7 percent.

As we stated in the earnings release, our diversified, and yet increasingly integrated, businesses continue to perform well in spite of the ongoing tumultuous energy environment. Even with a $3.3 million non-recurring charge reflecting certain cost initiatives, as well as previously discussed specific challenges, like significant turnarounds for some of our refinery customers and utilization and rate pressures on certain of our marine assets, we maintained a coverage ratio of 1.32 times of our increased distribution.

Even in this environment, we would expect to see sequentially growing volumes in future quarters from the end of offshore turnarounds and continuing development drilling in the deepwater Gulf of Mexico. We would also expect to see growing volumes from the initiation of service on some of our organic projects and the end of certain refinery turnarounds, in the third quarter and beyond. Additionally, we are seeing indications that the more recent rate and utilization challenges on our blue water, offshore marine assets have or are in the process of bottoming. As a result, we feel very comfortable about the continuing growth in our financial results in future periods.

Last week we announced an expansion of our credit facility, adding additional committed liquidity of 200 million dollars. We appreciate the support of our existing banks and the participation of two brand new banks, all of whom combined to commit more of their knowledgeable money to the continued success and growth of the partnership.

We have had an SEC approved S-3 sitting around for almost a year and a half. We are in the process of formalizing an at the market program. There are no plans whatsoever to actually use the program, but we feel it’s a tool we should have at our disposal to give us the flexibility to raise conventional equity to allow us to pursue opportunities which we believe may arise given many competitor companies have limited access to reasonably priced incremental capital.

To summarize, we have increased our committed liquidity. We have significant excess coverage which will naturally de-lever our capital structure, once we exit peak spend in mid-2016 and begin to realize the contributions from our organic projects later this year and into 2017. Given our substantial scale and our improving financial metrics, we are confident our debt ratings will improve well before any existing maturities, with 2021 being the earliest. Finally, we believe we can accomplish this while continuing to grow the distribution to our unitholders, preserving our access to conventional equity not burdened by incentive distribution rights to a GP.

All in all, not a bad place to be when times are bad. With that, I will turn it over to Bob.

Results of Operations

Comparison of First Quarter 2016 to 2015

[Bob]

Thank you, Grant

In the first quarter of 2016, we generated total Available Cash before Reserves of $97.8 million, representing an increase of $33.8 million, or 53%, over the first quarter of 2015. Adjusted EBITDA increased $51.4 million over the prior year quarter to $133.8 million, representing 62% year over year growth.

Net income attributable to Genesis for the quarter was $35.3 million, or $0.32 per unit, compared to $20.2 million, or $0.21 per unit, for the same period in 2015.

Segment Margin from our Offshore Pipeline transportation segment increased $53.4 million, or 212%, between the first quarter periods. This increase is primarily due to our Enterprise acquisition, which closed in July 2015, in which we obtained approximately 2,350 miles of additional offshore natural gas and crude oil pipelines and six offshore hub platforms. Additionally, a portion of the increase in our Segment Margin is attributable to the SEKCO pipeline throughput exceeding its shippers' minimum volume commitments during the entirety of the 2016 quarter. Also, as a result of our Enterprise acquisition, our ownership interest in the SEKCO pipeline increased from 50% to 100%. Our SEKCO pipeline is connected to our Poseidon pipeline, so increases in throughput on our SEKCO pipeline also increase throughput on our Poseidon pipeline.

Onshore Pipeline transportation segment margin increased $1.4 million, or 9%, between the first quarter periods. That increase was primarily the result of an increase in volumes and tariff revenues mainly on our Louisiana and Wyoming pipeline systems. These increases were partially offset by decreases in volumes and revenues on our other onshore pipeline systems and a decrease in revenues generated from loss allowance volumes.

Refinery services segment margin increased $2.0 million, or 11%, between the first quarter periods. That increase primarily resulted from our ability to realize benefits from our favorable management of the purchasing (including economies of scale) and utilization of caustic soda in our operations and our logistics management capabilities. These benefits more than offset the slight decrease in NaHS sales volumes.

Segment Margin from our Marine transportation segment decreased $6.8 million or 26%, between the first quarter periods. This decrease is primarily attributable to pressure on rates and utilization of our blue water, offshore barges. These pressures are a result of several factors, including significant new builds coming into the market, declines in Eagle Ford production, a relatively mild winter and the effects of contango on the crude oil and products markets which created economic incentives for producers, marketers and refiners to store barrels.

Supply and logistics Segment Margin increased by $0.7 million, or 7%, between the first quarter periods, primarily due to improved performance of our now right-sized heavy fuel oil business relative to the 2015 Quarter. This right sizing principally entailed reducing volumes and related infrastructure to match new market realities resulting from the general lightening of refineries' crude slates which has resulted in a better supply/demand balance between heavy refined bottoms and domestic coker and asphalt requirements. We also benefited from an increase in rail volumes at our Scenic Station rail terminal.

Corporate general and administrative expenses included in the calculation of Available Cash before Reserves decreased by $0.6 million. This decrease is primarily related to decreases in our equity based compensation plan expense due to decreases in our unit price, as well as a decrease in expense related to our annual bonus program relative to the 2015 quarter. This decrease was substantially offset by a one-time charge of approximately $3.3 million that we took during the first quarter of 2016 related to certain severance and restructuring expenses.

In addition to the factors impacting Available Cash before Reserves, depreciation and amortization expense increased $19.5 million between the quarterly periods primarily as a result of the effect of placing recently acquired and constructed assets in service during calendar 2015 (including the offshore pipeline assets acquired as a result of our Enterprise acquisition). Equity earnings in our unconsolidated joint ventures also decreased by $4.8 million between the quarterly periods. As a result of our Enterprise acquisition, the composition of our equity investments has changed from the prior year period.

Grant will now provide some concluding remarks to our prepared comments.

Summary Remarks

[Grant]

Thanks Bob.

As discussed, our businesses are performing well, and we would expect them to continue to do so in spite of challenges or headwinds that always seem to pop up. We expect to see volumes ramping up in the remainder of 2016 and beyond as turnarounds on certain of our offshore assets and refineries in which we operate at are wrapping up, along with some of our organic growth projects finalizing construction to begin operations in the near term.

We expect to continue to be well-served by our business strategies, including being primarily refinery centric….after all the only consumer of crude oil is a refinery, and supporting long-lived, world-class oil developments of integrated and large independent energy companies, that have been around for decades and gone through and survived many commodity cycles.

As always, we would like to recognize the efforts and commitment of all of those with whom we are fortunate enough to work, including their commitments to providing safe, responsible and reliable services.

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

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