2016 Second Quarter
Results Conference Call
August 3, 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 Second 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 Second Quarter 2016

[Grant]

Good afternoon and welcome to everyone.

Our diversified, yet increasingly integrated, businesses continued to perform in the second quarter within an acceptable range in spite of the ongoing dislocations in the energy sector, uncertainties in capital markets and the midstream space, and specific challenges, at the margin, on certain of our operations. Even if this challenging backdrop continues in future quarters, we would expect to see sequentially higher net income and Available Cash before Reserves due to a variety of factors, including increasing volumes out of the deepwater Gulf of Mexico, the end of certain refinery turnarounds, and the initiation of service, and the anticipated ramp up of volumes between now and the end of 2017, from some of our recent organic projects. In the aggregate, we believe our commercial operations are relatively stable in this challenging environment and we believe we have a reasonably clear line of sight of volume growth over the next four to six quarters. As a result, we feel comfortable that our financial results and condition will continue to strengthen in future periods.

Our primary objective continues to be to deliver the best value to our unitholders while never wavering from our commitment to safe and responsible operations. A lot has changed, we recognize, in how the market apparently values unit prices for MLPs or other midstream entities over the last year and a half to two years. Although the move to eliminate our IDRs almost six years ago and continuing to deliver double-digit growth in distributions on a year over year basis were rewarded historically, we believe the metrics demanded by the markets have changed during these recent tumultuous times.

We now believe the best way to promote unit price appreciation under current conditions is to exercise strong financial discipline designed primarily to maintain and enhance our financial flexibility across the business cycle. Although we believe we would otherwise naturally restore our financial flexibility with cash flows from operations, we feel we can accelerate that process by issuing additional equity, lowering the future growth rate of quarterly distributions, or pursuing a combination of the two.

Consequently, on July 27, 2016, we closed a public offering of 8,000,000 common units generating net proceeds to the partnership of approximately $298 million. As a practical matter, we would have issued such additional equity a year ago at the time of closing the Enterprise acquisition had markets been stronger at that point. This 2016 equity raise instantly improved our liquidity and credit metrics.

We believe our increased liquidity and even stronger balance sheet resulting from such actions should combine to give us the flexibility to continue to pursue acquisitions and/or organic projects that we feel are consistent with delivering long term value to all of our stakeholders. We also believe that our improved credit profile will significantly lower the future costs of refinancing our public debt when such issued tranches become due beginning in 2021 or callable beginning in 2017.

With that, I will turn it over to Bob to discuss our operating results.

Results of Operations

Comparison of Second Quarter 2016 to 2015

[Bob]

Thank you, Grant

In the second quarter of 2016, we generated total Available Cash before Reserves of $96.0 million, representing an increase of $27.2 million, or 40%, over the second quarter of 2015. Adjusted EBITDA increased $46.2 million over the prior year quarter to $133.5 million, representing 53% year over year growth.

Net income attributable to Genesis for the quarter was $23.7 million, or $0.22 per unit, compared to $11.7 million, or $0.12 per unit, for the same period in 2015.

Segment Margin from our Offshore Pipeline transportation segment increased $59.2 million, or 236%, between the second quarter periods. This increase is primarily due to our acquisition of the offshore pipeline business of Enterprise, which closed in July 2015. As a result of our Enterprise acquisition we obtained approximately 2,350 miles of additional offshore natural gas and crude oil pipelines, including increasing our ownership interest in each of the Poseidon, SEKCO, and CHOPS pipelines, and six offshore hub platforms. The operating results of that business continue to exceed our expectations, with sequential increases in volumes (compared to the first quarter of 2016) in the most significant offshore crude oil pipelines in which we acquired (as well as those in which we previously owned an interest).

Onshore Pipeline transportation segment margin decreased $2.3 million, or 16%, between the second quarter periods. Volumes decreased on our Texas pipeline system, particularly delivery volumes to the Texas City refining market. Such lower volumes on our Texas system to historical customers will likely continue in future periods as we complete the repurposing of our Houston area crude oil pipeline and terminal infrastructure. This includes making the necessary upgrades on our existing 18-inch Webster to Texas City pipeline to allow for northerly flow of crude oil. We anticipate this repurposing, as well as the other components of our Houston area crude oil pipeline and terminal infrastructure project, to be completed prior to the end of 2016. Additionally, margin was negatively affected by lowered levels of tertiary crude oil activities in Mississippi. Volumes on our Louisiana system were sequentially down primarily as a result of a protracted turnaround at our primary customer's refining complex. We anticipate volumes on our Louisiana system to ramp back up starting in the third quarter upon the completion of this turnaround.

Refinery services Segment Margin for the 2016 Quarter decreased $0.4 million, or 2%. That decrease was primarily the result of a decrease in NaHS sales volumes due to lower demand from pulp and paper customers during the scheduled downtime these customers typically exhibit in the spring, compared to the 2015 Quarter. We were able 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, which somewhat offset the effects on Segment Margin of decreased NaHS sales volumes.

Segment Margin from our Marine transportation segment decreased $9.1 million or 34%, between the second quarter periods. This decrease in Segment Margin in the 2016 Quarter is primarily due to pressure on rates and utilization of our blue water, offshore barges. The impacts of the negative factors and pressures on our offshore barge performance, which we have previously discussed, have been consistent with our expectations with regards to both timing and scale. Additionally, we faced certain challenges on utilization and rates for our inland barges in large part attributable to fewer long voyages from the midwest to the Gulf Coast than we have historically experienced. We believe these conditions may be reflective of certain aspects of the changing dynamics in refining operations which we must continue to monitor in future periods.

Supply and logistics Segment Margin decreased by $3.5 million, or 30%, between the second quarter periods. In the 2016 Quarter as compared to the 2015 Quarter, the decrease in our Segment Margin is primarily due to lower demand for our services, in our historical back-to-back, or buy/sell, crude oil marketing business associated with aggregating and trucking crude oil from producers' leases to local or regional re-sale points. We have found it difficult to compete with certain persons in the market who are willing to lose money on such local gathering because they are attempting to minimize their losses from minimum volume or take-or-pay commitments they previously made in anticipation of new production that has not yet and is unlikely to come online. In addition, a portion of this decrease can be attributed to decreased rail volumes as a major refinery customer supported by our Louisiana facilities was experiencing a refinery turnaround during the 2016 Quarter. We anticipate such rail volumes related to our

Louisiana facilities to begin ramping back up starting in the third quarter upon the completion of this turnaround.

In addition to the overall net increase in Segment Margin, as impacting both Net Income and Available Cash before Reserves, depreciation and amortization expense increased $27.7 million between the quarterly periods primarily as a result of the effect of placing recently acquired and constructed assets in service during 2015 (including the offshore pipeline assets acquired as a result of our Enterprise acquisition). Other income also increased $19.2 million between the quarterly periods due to the loss on debt extinguishment recognized in the second quarter in 2015 relating to the early retirement of our $350 million 7.875% senior unsecured notes due 2018. Interest costs for the 2016 Quarter increased by $17.6 million from the 2015 Quarter primarily due to an increase in our average outstanding indebtedness from recently acquired and constructed assets (principally from additional debt outstanding as a result of financing our Enterprise acquisition). Interest costs, on an ongoing basis, are net of capitalized interest costs attributable to our growth capital expenditures. Corporate general and administrative expenses included in Net Income decreased by $3.5 million. This decrease is primarily related to a decrease in expense related to our annual bonus program relative to the 2015 Quarter.

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

Summary Remarks

[Grant]

Thanks Bob.

As discussed, our businesses are performing reasonably well, and we would expect them to continue to do so in spite of the challenges we have laid out. Our primary objective continues to be to deliver the best value to our unitholders while never wavering from our commitment to safe and responsible operations.

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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