2017 Third Quarter
Results Conference Call
November 3, 2017

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 2017 Third Quarter Conference Call for Genesis Energy. Genesis has four 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 Sodium Minerals and Sulfur Services Division 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 Division is engaged in the transportation, handling, blending, storage and supply of energy products, including crude oil and refined products. The Marine Transportation Division is engaged in the maritime transportation of primarily refined petroleum 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 Third Quarter 2017

[Grant]

Good morning and welcome to all and how bout those Astros.

The third quarter was transformative for the partnership with the accretive acquisition of the Alkali Business for $1.325 billion and the strategic, long-term decision to reset the common distribution to $0.50 per unit, defining a visible path for increased coverage and reduced leverage while being able to grow the quarterly distribution by at least $0.01 per quarter for each of the next twenty quarters.

This strategic reallocation of capital was a proactive decision that we felt was in the best long term interest of all of our stakeholders given where the market was pricing our implied cost of equity. The financial results reported today for the third quarter clearly illustrate that this was a discretionary, proactive move.

First, our Adjusted Debt to Pro Forma EBITDA ratio at 9/30 was 5.28, down from the 5.40 at 6/30 in spite of consummating a $1.325 billion acquisition, well within our covenant of 5.75 times.

Second, had we made the decision to hold the distribution flat to the second quarter, the coverage of that distribution based upon our Available Cash actually would have gone up to 1.04 times in the third quarter versus the 1.02 times reported in the second quarter.

Finally, the calculated coverage for the third quarter based upon the re-set distribution was 1.50, right in the middle of the targeted range we guided to.

These financial results were achieved in spite of the negative impacts felt from Hurricane Harvey, the scheduled five year regulatory dry-docking of our American Phoenix, some extended turnarounds at several offshore hubs, and turnarounds at several facilities in Alberta which ultimately affected throughputs in our Baton Rouge corridor facilities.

Also, of note, earlier this year, we announced and discussed our intent to market certain non-strategic assets with targeted proceeds of $50-75 million. Subsequent to the end of the third quarter, we consummated another transaction bringing year-to-date total cash proceeds of approximately $76 million, representing an aggregate GAAP gain of approximately $40 million and at an implied multiple to us of in excess of 30 times. All of this has not yet been recognized in our reported balance sheet, and in any event none of it would flow through our non-GAAP measures of EBITDA or Available Cash.

The financial results for the quarter ended 9/30, is not the story here at Genesis. As we recently discussed, we expect to report record net income, cash flows from operations, Adjusted EBITDA and Available Cash before Reserves in future periods. Even with some of the headwinds in certain of our legacy businesses about which we have been very forthright and explicit, we have built a company currently capable of generating EBITDA approaching $700 million annually, with visible growth in front of it and positively leveraged to cyclical recovery in certain of its businesses.

Normally at this point I would hand it over to Bob to do a typical quarterly comparison of this quarter over the prior year's quarter. We think the discussion in the earnings release as expanded in our 10-Q adequately checks the box for those comparable quarter discussions.

We think it might be more useful to provide a little color around our previous assertion of visible growth and positively leveraged to cyclical recovery in certain of our businesses.

Let me start by saying we are very analytical, culturally, and we have access to a lot of very good information, a substantial amount of which is subject to non-disclosure and is deemed commercially sensitive. Having said that, I'm going to try and go segment by segment with how we view the short, intermediate and longer term expected financial performance of our businesses, while honoring and protecting such information.

It is true there are today 20 mobile offshore drilling units, MODU's, working the deepwater Gulf of Mexico versus around 40 several years ago, about the same percentage decline, if not a little less actually, than onshore rig counts. But just like the onshore, the efficiency of the MODU's is substantially improving. For Genesis, in general terms, this translates into the following:

- Active, in-field drilling at several dedicated and connected platforms yielding 2018-2019 production with zero of our capital required
- Finalizing agreements for two third-party operated subsea developments being tied back to existing dedicated and connected hubs, one with first delivery in 2018 and another in 2019 with zero of our capital required

- Active discussions with several other third-party and/or host operated sub-sea, tie-backs to existing dedicated and connected hubs, which if sanctioned would be 2019-2021 type first deliveries with zero of our capital required

- Ability to move excess volumes from third-party owned and operated pipelines that are anticipated to have insufficient capacity to move volumes dedicated to their systems during the 2018-2021 time frame with zero of our capital required

- Mad Dog 2 coming on in late 2021 or early 2022 with zero of our capital required

- Active discussions with four new +/- 75 kbd standalone new hub-type developments anticipated to be sanctioned in 2018, with first deliveries in the 2022-2024 time frame, one of which would require zero of our capital and three of which would not require but would possibly represent discretionary SEKCO type lateral opportunities for us in the 2020-2022 time frame

Turning to our sodium and sulfur segment, you gotta agree that 3 months is better than one for the reporting of an accretive transaction. The fourth quarter will be the first full quarter of financial results from our recent acquisition. As we have stated, the soda ash business is performing at or above our expectations. Our historic sulfur or NaHS business continues to do well. With continuing favorable and/or improving macro-economic conditions, we expect the sodium and sulfur businesses to continue to steadily perform with virtually certain modest growth and potentially meaningful growth early next decade.

In onshore facilities and transportation, we are very encouraged by what we’re seeing. We have maintained for at least the last 9 months that we would expect a ramp in volumes throughout 2017 and into 2018, and it was our belief that it could take until the fourth quarter of 2018 to see the full contribution from a number of our recent organic opportunities.

We still believe that to be the case, yet we’re already seeing significant volume growth. For instance, please see the operating data table provided in the release, where Texas volumes have grown to 45 kbd from 13 and Lousiana volumes have grown to 130 kbd from 30 a year ago. We believe these early results clearly validate the fundamental rationale behind those investments decisions.

I would also point out we continue to pursue additional meaningful dedications and gathering opportunities in and around our existing footprint in the Powder River Basin, beyond the existing term dedication of acreage primarily in southern Campbell and northern Converse counties in Wyoming. A portion of the production from this dedicated acreage is delivered to our facilities for downstream service by a third-party owned and operated gathering system.

Turning to marine, the American Phoenix is out of her scheduled dry-dock and back on the clock. Everything else the same, we would therefore expect the fourth quarter to be $1.5 to 2 million better simply because of that. Our utilization rates, especially in black oil or dirty service remain quite high, but the spot day rates are challenging. As a general proposition, the marine market is over supplied from a capacity point of view, and that’s not something that turns around quickly, although it seems from time to time it’s bouncing along a bottom. Having said that, the marine segment now represents only about 8% of our total quarterly segment margin so a little more back up, even if it were to occur, is just not that big a deal in the overall scheme of things.

In summary, based upon our internal, fundamental analyses, we are satisfied and excited, and/or at least not concerned in the case of marine, about the near, intermediate and longer term outlooks for all of our businesses individually and certainly in the aggregate.

I know I've gone over my typical allotted time so we'll pass on Bob's typical prepared remarks. As I mentioned earlier, we go into a lot of discussion in the release and the Q, which was filed this morning, regarding actual results and how they compare to the prior year's quarter. We're happy to answer any questions around that.

In summary, we believe the recent actions and strategic steps we've taken will serve our goals of strengthening the balance sheet, enhancing our financial flexibility to be opportunistic, and renewing our growth outlook. Taken together, we believe these steps position the partnership to be able to generate strong total returns for our unitholders in the years ahead.

As always, I want to recognize our professional and dedicated employees and warmly welcome the some 900 plus that have recently joined us from Wyoming and Philadelphia. I would also like to say to those employees and their families that have been and continue to be affected by Harvey that they continue to be in our thoughts and we're here to help. We will continue to all work together to drive value for all of our stakeholders while never losing sight of our commitment to safe and responsible operations.

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

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