2024 First Quarter
Results Conference Call
May 2, 2024

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 2024 First Quarter Conference Call for Genesis Energy. Genesis Energy 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 thank you for listening to the call.

As we mentioned in our earnings release this morning, our financial results for the fourth quarter came in generally in-line with our internal expectations. As we look ahead to the remainder of the year, we continue to view 2024 as kind of a transition year… as we move increasingly closer to the important inflection point when our current growth capital spending program is completed. De minimus growth capital spending in future years…combined with the contracted and/or expected increased financial performance from our offshore, marine and inorganic chemicals businesses over the coming years…should provide us with the ability to generate significant amounts of cash in excess of ALL…of the current cash obligations associated with running our businesses.

In the aggregate, these current recurring cash obligations add up to approximately $600 million dollars per year. This is comprised of roughly $320 million of cash interest expense…which includes interest and principal payments on our Alkali senior secured notes… approximately $120 million of cash maintenance capital expenditures… almost $90 million of preferred distributions…and… approximately $74 million of common unit distributions at the current level of $0.60 per unit per annum. Going forward… we expect the dollars we generate above these recurring cash obligations will be used to return capital to our stakeholders in one form or another. As we redeem more preferred…and/or pay down aggregate debt… these recurring costs will obviously go down…giving us even more flexibility to return capital to

unitholders. We expect our coverage of these cash costs to accelerate as we move through next year. As we sit here today, we believe we should be able to sustain… if not grow… such coverage of our cash costs for many years ahead… without requiring significant amounts of discretionary growth capital.

As this important inflection point draws nearer, we continue to advance discussions at the board level around how best to allocate this anticipated cash flow… and I would expect to provide everyone with more details around our capital allocation priorities and strategy at some point later this year. This is undoubtedly an exciting time for Genesis as we move closer and closer to the point on which we have been keenly focused over the last four years or so. Barring any unforeseen circumstances, we believe we have positioned the partnership with significant financial flexibility to manage our debt metrics and liquidity…further simplify our capital structure… return capital to our common unitholders in one form or another… and thereby create 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 continued to perform in-line with our expectations during the quarter… despite certain fields underperforming relative to the original producer forecasts we received late last year. This underperformance was the result of unscheduled downtime at a certain host facility and another operator having to temporarily shut in some production due to some issues that arose as they were installing sub-sea equipment to be able to add additional wells to their production facility. Importantly, both items have since been resolved.

During the quarter we continued to see significant volumes from BP's Argos facility, which has recently exceeded 130,000 barrels per day… and steady volumes from our other major host fields. First oil from the Winterfell development remains on schedule for the second quarter…

and… I'm happy to announce… we have recently executed new minimum volume commitment contracts with multiple investment-grade counterparties that further support the forecasted volumes on our CHOPS system. We also remain in active discussions with multiple producers regarding numerous additional in-field… sub-sea… and/or secondary recovery development opportunities around our existing facilities. If sanctioned… these would turn into new production through our integrated infrastructure as early as later this year… or certainly over the next few years.

I think it is once again important to emphasize how unique our situation is in the Central Gulf of Mexico relative to other midstream opportunities…especially in high-profile onshore basins. Unlike most onshore situations… where significant dollars are required to maintain or grow volumes by building out additional gathering facilities connecting each new well… or a pad of wells… to a main trunkline or terminal. The quote… unquote…"gathering"… in the Gulf of Mexico… is done by the producers… them tying back wells to existing floating production facilities that are already…and in almost every situation…exclusively connected to one of our laterals or pipelines to shore. These floating production systems have a designed and useful life of thirty or forty… or even more years.

Once Shenandoah and Salamanca are online, and taking into account Argos and King's Quay, we will have added over 400,000 barrels per day of new production handling capacity to our pipeline systems in recent years. The incremental capacity on our new SNYC lateral…which extends into an increasingly active area of the central Gulf of Mexico…and the incremental capacity on our expanded CHOPS pipeline to shore…both are only roughly fifty percent contracted with these new fields. As a result, this positions us to capture the types of incremental opportunities I described earlier… or even new stand-alone developments… for many years to

come at ZERO incremental capital required to be spent by us.

As we mentioned in the release, our team has made significant progress on our offshore expansion projects to date. We successfully laid the 105-mile SYNC pipeline last year and are currently awaiting the arrival of the Shenandoah floating production system to finalize the pipeline and riser connections. We have also continued to advance our CHOPS expansion project in parallel by successfully installing and commissioning new pumps on our High Island A5 platform. Furthermore, we successfully installed the new Garden Banks 72 deck on its newly reinforced jacket in mid-April. The GB72 platform has been designed to serve as the receipt point for the new SYNC pipeline and provide additional pumping capabilities for all volumes on the expanded CHOPS system.

These offshore expansion projects are fully underwritten by our contracted developments and their combined almost 200,000 barrels of oil per day of incremental production handling capacity. We now anticipate both developments to start production in the first half of 2025. These two developments… alone… will provide us with anticipated incremental Segment Margin, per annum, of approximately $90 million at the contracted take-or-pay level and upwards of $120 million at just 75% of the producers' respective forecast. These amounts could meaningfully exceed $120 million per annum to the extent the producers meet or exceed 100% of their respective forecasts when they're fully ramped. Similar to other new developments that have recently come online, we would expect both these fields to ramp up very quickly… and reach initial peak production within three to six months of their respective dates of first production.

The combination of our steady and marginally increasing base production volumes… the contracted opportunities we have coming on-line over the next twelve months or so…and the backlog of potential incremental tie-back and development opportunities, positions us to deliver

stable, steady, and growing cash flows from our offshore pipeline transportation segment for many…many…years… and decades to come.

Turning now to our soda and sulfur services segment. Our soda ash business generally performed in-line with our expectations… despite some operational hiccups during the quarter… most of which have been resolved. The global macro conditions for soda ash remain relatively consistent with our previous commentary. Over the last 9 months or so, the combination of slower economic growth outside of the United States… and the anticipation of the global soda ash market having to absorb five million new tons of natural production from Inner Mongolia… has contributed to what we believe is a trough export pricing environment in late 2023 and here in to 2024.

Despite these near-term challenges, we believe the market is starting to turn the corner and showing signs of balancing. The five million tons of new natural production from Inner Mongolia looks to have been almost totally absorbed within China. The cost competitive nature of this natural production will undoubtedly pressure Chinese synthetic producers. As a reminder, there were 25 synthetic soda ash production facilities in North America in 1948 when the trona deposits in southwest Wyoming were discovered by our predecessor company. Today, there is only one. This same phenomenon is likely to play out in China. Synthetic producers… with their higher cost structure and more objectionable environmental footprint relative to natural producers… simply cannot compete over the long-term and yet still supply almost 70 percent of the world's soda ash…and their cost structure in essence ultimately determines the market clearing price of soda ash.

We believe this pressure on synthetic production is happening in real time… and/or the demand for soda ash within China is being underestimated. In recent months, we have seen the

delivery of soda ash into China… from natural producers in Turkey… and from producers in the US. We have seen no significant increases in Chinese export volumes. We have some indication that Chinese domestic soda ash prices have bottomed and actually increased in recent weeks. Internationally, we know that there has been some high-cost synthetic production taken offline in Europe and volumes are being pulled from certain Asian markets outside of China… and are being redirected to higher valued markets… and therefore reducing supply to Asian markets ex China.

The market data points I just mentioned… when combined with the expected end of destocking of existing customer inventories… the expected return of normalized global economic growth… and the continuing increase in world-wide demand from various green initiatives… all lead us to believe the market should become increasingly more balanced as we move through the year. We continue to believe this backdrop should provide a tighter supply and demand environment… which in turn should provide support for stable domestic prices and an improvement in export pricing as we start our negotiations for 2025 volumes towards the end of this year.

I would be remiss to not mention the public comments of David Einhorn, who presented his one best… value investment idea… at the SOHN conference in mid-April. Mr. Einhorn's analyses and comments were specific to a large, but not pure-play, soda ash producer that happens to have operations adjacent to ours in Wyoming. His long-term bullish thesis for soda ash is consistent with… and in fact very similar to… a lot of what we have said on recent calls and have discussed with investors over the last few quarters. It's actually quite an informative presentation in general…and I would encourage anyone who's interested… to find and watch the video to learn more about the fundamentals of the soda ash market and the possible implications for our future financial performance.

As we stated in the release, we continue to work through typical "commissioning-type challenges" with our Granger expansion project. I'm happy to report that we have recently received and installed certain replacement parts… the originals of which did not perform as designed and expected. We have proactively worked with the vendor to ensure we have an adequate number of spare component parts on-site…in case we run into any similar challenges in the future. We expect this warranty type work to be completed by the end of this month.

Despite running Granger sub-optimally for the first 4 months of the year, we have clearly demonstrated that the expanded Granger production facility is more than capable of achieving the original design capacity of 1.2 - 1.3 million tons per year. In fact, we are quite confident we have a path to exceed the original design capacity just like we did with the world's first commercial solution mined soda ash plant, our ELDM facility at Westvaco.. ELDM was originally designed in the mid 90's…to be able to produce around 625 thousand tons per year… and yet we have averaged about 850 thousand tons per year for the last decade.

These incremental tons will both increase our volumes available for sale…but importantly… will lower our average operating costs per ton at Granger and throughout our entire soda ash operations. Regardless of the ultimate timing of soda ash margins returning to…or exceeding…mid-cycle levels… we remain confident in the long-term soda ash thesis. We believe we are very well positioned to deliver increasing financial performance from this market-leading business for many decades to come. Our sulfur services business performed in-line with our expectations during the quarter.

Our marine transportation segment continues to meet or exceed our expectations as market conditions and demand fundamentals continue to remain very favorable. As mentioned in the release, we continue to operate with utilization rates at or near 100 percent of practical available

capacity for all classes of our vessels… as the supply and demand outlook for Jones Act tankage remains structurally tight. These market dynamics continue to be driven by a combination of steady and robust demand…a heavy maintenance cycle…the continued retirements of older equipment…and effectively ZERO new construction of our types of marine vessels. In fact…according to a leading industry participant in the inland market in particular… and I quote "if you look at the last three years, we have seen the lowest amount of new construction activity within the last 20 years and on top of that, there are still another 500 barges that are over 30 years old and are candidates for retirement. So, the supply side of the equation looks pretty good going forward." This lack of new marine tonnage, combined with steady-to-increasing demand from our customers… continues to drive spot day rates and longer-term contracted rates in our inland and offshore fleets to record levels.

In fact, the market fundamentals we are enjoying today are some of the most promising… and on par or exceeding some of the best times…we have ever experienced in the marine business. Furthermore, the same leading industry participant has stated that contract rates need to rise upwards of 40% from here…in order to rationalize the new construction of comparable marine equipment. This is driven by the increased cost of steel… extended construction timelines… lack of available shipyard space… and the increased cost of capital. We are therefore certainly not alone in thinking these current market fundamentals could last upwards of an additional three to five years…all of which lead me to believe our marine transportation segment is well positioned to deliver record and growing earnings over the coming years.

As I have mentioned in the past …and will reiterate again today…the value proposition for Genesis remains unchanged and totally in-tact. We have line of sight to the end of our current growth capital program later this year and look forward to increasing financial performance next

year… driven primarily by offshore growth, an expected improvement in soda ash pricing and margins…and increasing contribution from our marine group. Absent unforeseen circumstances, we continue to anticipate being able to generate roughly 250 to 350 million…or more… of cash flow per year after ALL of our current cash obligations…which we think is actually quite a large number…especially for a company our size.

We will continue to evaluate the various levers we can pull to return this capital to our stakeholders… including paying down debt… repurchasing additional amounts of our corporate preferred security… raising our common distribution… and/or purchasing what we view as any mis-priced… publicly traded securities. We will do all this while maintaining an appropriate level of liquidity… and of course…while 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…regardless of where you are in the capital structure… 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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