GENESIS ENERGY LP
Form 10-Q
November 03, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-12295

GENESIS ENERGY, L.P.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	76-0513049 (I.R.S. Employer Identification No.)
919 Milam, Suite 2100, Houston, TX (Address of principal executive offices)	77002 (Zip code)

Registrant's telephone number, including area code: (713) 860-2500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act.
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2) of the Exchange Act). Yes ¨ No ý

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. There were 122,539,221 Class A Common Units and 39,997 Class B Common Units outstanding as of November 3, 2017.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
GENESIS ENERGY, L.P.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except units)

	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,694	$ 7,029
Accounts receivable - trade, net	437,039	224,682
Inventories	98,558	98,587
Other	45,533	29,271
Total current assets	590,824	359,569
FIXED ASSETS, at cost	5,522,292	4,763,396
Less: Accumulated depreciation	(681,900)	(548,532)
Net fixed assets	4,840,392	4,214,864
MINERAL LEASEHOLDS, net	622,756	—
NET INVESTMENT IN DIRECT FINANCING LEASES, net of unearned income	127,248	132,859
EQUITY INVESTEES	383,191	408,756
INTANGIBLE ASSETS, net of amortization	187,441	204,887
GOODWILL	325,046	325,046
OTHER ASSETS, net of amortization	60,736	56,611
TOTAL ASSETS	$ 7,137,634	$ 5,702,592
LIABILITIES AND CAPITAL		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 203,717	$ 119,841
Accrued liabilities	160,294	140,962
Total current liabilities	364,011	260,803
SENIOR SECURED CREDIT FACILITY	1,372,500	1,278,200
SENIOR UNSECURED NOTES, net of debt issuance costs	2,358,049	1,813,169
DEFERRED TAX LIABILITIES	26,399	25,889
OTHER LONG-TERM LIABILITIES	256,462	204,481
Total liabilities	4,377,421	3,582,542
MEZZANINE CAPITAL:		
Series A Convertible Preferred Units, 22,249,494 issued and outstanding at September 30, 2017	691,708	—
PARTNERS’ CAPITAL:		
Common unitholders, 122,579,218 and 117,979,218 units issued and outstanding at September 30, 2017 and December 31, 2016, respectively	2,077,393	2,130,331
Noncontrolling interests	(8,888)	(10,281)
Total partners' capital	2,068,505	2,120,050
TOTAL LIABILITIES, MEZZANINE CAPITAL AND PARTNERS’ CAPITAL	$ 7,137,634	$ 5,702,592

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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GENESIS ENERGY, L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
REVENUES:				
Offshore pipeline transportation services	80,671	89,717	243,437	244,837
Sodium minerals and sulfur services	109,765	45,725	197,879	129,585
Marine transportation	48,534	55,285	152,038	159,930
Onshore facilities and transportation	247,144	269,323	714,974	750,088
Total revenues	486,114	460,050	1,308,328	1,284,440
COSTS AND EXPENSES:				
Onshore facilities and transportation product costs	202,047	230,229	582,535	620,620
Onshore facilities and transportation operating costs	23,982	22,476	80,160	71,974
Marine transportation operating costs	35,789	38,490	111,980	105,942
Sodium minerals and sulfur services operating costs	79,365	25,077	133,335	67,641
Offshore pipeline transportation operating costs	18,690	23,122	54,682	63,732
General and administrative	19,409	11,212	38,723	34,716
Depreciation, depletion and amortization	63,732	54,265	176,453	156,800
Gain on sale of assets	—	—	(26,684)	—
Total costs and expenses	443,014	404,871	1,151,184	1,121,425
OPERATING INCOME	43,100	55,179	157,144	163,015
Equity in earnings of equity investees	13,044	12,488	34,805	35,362
Interest expense	(47,388)	(34,735)	(122,117)	(104,657)
Other expense	(2,276)	—	(2,276)	—
Income before income taxes	6,480	32,932	67,556	93,720
Income tax expense	(320)	(949)	(878)	(2,959)
NET INCOME	6,160	31,983	66,678	90,761
Net loss attributable to noncontrolling interests	152	118	457	370
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P.	$6,312	$32,101	$67,135	$91,131
Less: Accumulated distributions attributable to Series A Convertible Preferred Units	(5,469)	—	(5,469)	—
NET INCOME AVAILABLE TO COMMON UNITHOLDERS	$843	$32,101	$61,666	$91,131
NET INCOME PER COMMON UNIT (Note 10):				
Basic and Diluted	$0.01	$0.28	$0.51	$0.81
WEIGHTED AVERAGE OUTSTANDING COMMON UNITS:				
Basic and Diluted	122,579	115,718	121,198	111,906

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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GENESIS ENERGY, L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(In thousands)

	Number of Common Units	Partners' Capital	Noncontrolling Interest	Total
Partners' capital, January 1, 2017	117,979	$2,130,331	$ (10,281)	$2,120,050
Net income (loss)	—	67,135	(457)	66,678
Cash distributions to partners	—	(260,586)	—	(260,586)
Cash contributions from noncontrolling interests	—	—	1,850	1,850
Issuance of common units for cash, net	4,600	140,513	—	140,513
Partners' capital, September 30, 2017	122,579	$2,077,393	$ (8,888)	$2,068,505

	Number of Common Units	Partners' Capital	Noncontrolling Interest	Total
Partners' capital, January 1, 2016	109,979	$2,029,101	$ (8,350)	$2,020,751
Net income (loss)	—	91,131	(370)	90,761
Cash distributions to partners	—	(227,454)	—	(227,454)
Issuance of common units for cash, net	8,000	298,051	—	298,051
Partners' capital, September 30, 2016	117,979	$2,190,829	$ (8,720)	$2,182,109

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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GENESIS ENERGY, L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended September 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$66,678	$90,761
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation, depletion and amortization	176,453	156,800
Provision for leased items no longer in use	12,589	—
Gain on sale of assets	(26,684)	—
Amortization of debt issuance costs and discount	8,154	7,563
Amortization of unearned income and initial direct costs on direct financing leases	(10,374)	(10,856)
Payments received under direct financing leases	15,501	15,501
Equity in earnings of investments in equity investees	(34,805)	(35,362)
Cash distributions of earnings of equity investees	45,854	49,528
Non-cash effect of equity-based compensation plans	(5,524)	6,102
Deferred and other tax liabilities	508	2,058
Unrealized loss on derivative transactions	3,040	742
Other, net	(7,338)	8,967
Net changes in components of operating assets and liabilities (Note 13)	(26,262)	(63,407)
Net cash provided by operating activities	217,790	228,397
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire fixed and intangible assets	(182,653)	(363,218)
Cash distributions received from equity investees - return of investment	14,517	16,652
Acquisitions	(1,325,759)	(25,394)
Contributions in aid of construction costs	124	12,208
Proceeds from asset sales	39,204	3,303
Other, net	—	185
Net cash used in investing activities	(1,454,567)	(356,264)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on senior secured credit facility	1,247,700	883,600
Repayments on senior secured credit facility	(1,153,400)	(831,600)
Proceeds from issuance of senior unsecured notes	550,000	—
Proceeds from issuance of Series A convertible preferred units, net	729,958	—
Debt issuance costs	(17,808)	(1,578)
Issuance of common units for cash, net	140,513	298,051
Contributions from noncontrolling interests	1,850	—
Distributions to common unitholders	(260,586)	(227,454)
Other, net	1,215	(600)
Net cash provided by financing activities	1,239,442	120,419
Net increase (decrease) in cash and cash equivalents	2,665	(7,448)
Cash and cash equivalents at beginning of period	7,029	10,895
Cash and cash equivalents at end of period	$9,694	$3,447

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation and Consolidation

Organization

We are a growth-oriented master limited partnership formed in Delaware in 1996 and focused on the midstream segment of the crude oil and natural gas industry in the Gulf Coast region of the United States, Wyoming and the Gulf of Mexico. We have a diverse portfolio of assets, including pipelines, offshore hub and junction platforms, soda ash businesses, refinery-related plants, storage tanks and terminals, railcars, rail loading and unloading facilities, barges and other vessels, and trucks. We are owned 100% by our limited partners. Genesis Energy, LLC, our general partner, is a wholly-owned subsidiary. Our general partner has sole responsibility for conducting our business and managing our operations. We conduct our operations and own our operating assets through our subsidiaries and joint ventures.

On September 1, 2017, we acquired Tronox Limited's ("Tronox's") trona and trona-based exploring, mining, processing, producing, marketing and selling business (the "Alkali Business") for approximately $1.325 billion in cash. We funded that acquisition and the related transaction costs with proceeds from a $750 million private placement of convertible preferred units, a $550 million public offering of notes, our revolving credit facility, and cash on hand. At the closing, we entered into transition service agreements to facilitate the transition of operations and uninterrupted services for both employees and customers. We will report the results of our Alkali Business in our renamed sodium minerals and sulfur services segment, which will include our Alkali Business as well as our existing refinery services operations.

In the fourth quarter of 2016, we reorganized our operating segments as a result of the way our Chief Executive Officer, who is our chief operating decision maker, evaluates the performance of operations, develops strategy and allocates resources. Due to the increasingly integrated nature of our onshore operations, the results of our onshore pipeline transportation segment, formerly reported under its own segment, is now reported in our onshore facilities and transportation segment. The onshore facilities and transportation segment was formerly named as our supply and logistics segment. This segment was renamed in the second quarter of 2017 to more accurately describe the nature of its operations. These changes are consistent with the increasingly integrated nature of our onshore operations. We will report the results of the Alkali Business in our renamed sodium minerals and sulfur services segment, which will include the Alkali Business as well as our existing refinery services operations.

As a result of the above changes, we currently manage our businesses through four divisions that constitute our reportable segments - offshore pipeline transportation, sodium minerals and sulfur services, onshore facilities and transportation and marine transportation. Our disclosures related to prior periods have been recast to reflect our reorganized segments.

These four divisions that constitute our reportable segments consist of the following:

- Offshore pipeline transportation and processing of crude oil and natural gas in the Gulf of Mexico;
- Sodium minerals and sulfur services involving trona and trona-based exploring, mining, processing, producing, marketing and selling activities, as well as processing of high sulfur (or "sour") gas streams for refineries to remove the sulfur, and selling the related by-product, sodium hydrosulfide (or "NaHS", commonly pronounced "nash");
- Onshore facilities and transportation, which include terminalling, blending, storing, marketing, and transporting crude oil, petroleum products, and $CO_{2;}$
- Marine transportation to provide waterborne transportation of petroleum products and crude oil throughout North America; and

Basis of Presentation and Consolidation

The accompanying Unaudited Condensed Consolidated Financial Statements include Genesis Energy, L.P. and its subsidiaries, including our general partner, Genesis Energy, LLC.

Our results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. The Condensed Consolidated Financial Statements included herein have been prepared by us without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC").

Accordingly, they reflect all adjustments (which consist solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial results for interim periods. Certain information and notes normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the information contained in the periodic reports we file

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with the SEC pursuant to the Securities Exchange Act of 1934, including the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016.

Except per unit amounts, or as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnote disclosures are stated in thousands of dollars.

2. Recent Accounting Developments

Recently Issued

In May 2014, the FASB issued revised guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard provides a five-step analysis for transactions to determine when and how revenue is recognized. The guidance permits the use of either a full retrospective or a modified retrospective transition method. In July 2015, the FASB approved a one year deferral of the effective date of this standard to December 15, 2017 for annual reporting periods beginning after that date. The FASB also approved early adoption of the standard, but not before the original effective date of December 15, 2016. Our process of evaluating the impact of this guidance on each type of revenue contract entered into with customers is ongoing, but nearing completion. This process includes regular involvement from our implementation team in determining any significant impact on accounting treatment, processes, internal controls, and disclosures. While we do not believe there will be a material impact to our revenues upon adoption based on our preliminary assessment, we continue to evaluate the impacts of our pending adoption of this guidance until finalized conclusions are determined, particularly involving contracts within our sodium minerals and sulfur services segment including those within our recently acquired Alkali Business. Though we have not finalized our conclusions, we currently plan to apply the modified retrospective transition approach.

In July 2015, the FASB issued guidance modifying the accounting for inventory. Under this guidance, the measurement principle for inventory will change from lower of cost or market value to lower of cost or net realizable value. The guidance defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for reporting periods after December 15, 2016, with early adoption permitted. We have adopted this guidance as of January 1, 2017 with no material impact on our consolidated financial statements.

In February 2016, the FASB issued guidance to improve the transparency and comparability among companies by requiring lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. The guidance also requires additional disclosure about leasing arrangements. The guidance is effective for interim and annual periods beginning after December 15, 2018 and requires a modified retrospective approach to adoption. Early adoption is permitted. We are currently evaluating this guidance.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash flow, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

3. Acquisition and Divestiture

Acquisition

Alkali Business

On September 1, 2017, we acquired the Alkali Business for approximately $1.325 billion (inclusive of approximately $100 million in working capital). The Alkali Business produces natural soda ash, also known as sodium carbonate (Na_2CO_3), as basic building block for a number of ubiquitous products, including flat glass, container glass, dry detergent and a variety of chemicals and other industrial products. To finance that transaction and the related costs, we used proceeds from (i) a $550.0 million public offering of 6.50% senior unsecured notes due 2025 in August 2017, generating net proceeds of $540.1 million after issuance discount and underwriting fees, (ii) a $750 million private placement of Class A Convertible Preferred units in September 2017, generating net proceeds of $726.2 million, (iii) borrowings under our revolving credit facility and (iv) cash on hand.

We have reflected the financial results of our Alkali Business in our sodium minerals and sulfur services segment from the date of acquisition. The purchase price has been allocated to the assets acquired and liabilities assumed based on estimated preliminary fair values. Those preliminary fair values were developed by management with the assistance of a third-party

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valuation firm and are subject to change pending a final valuation report and final determination of working capital acquired and other purchase price adjustments. We expect to finalize the purchase price allocation for this transaction during the fourth quarter of 2017.

The preliminary allocation of the purchase price, as presented on our Consolidated Balance Sheet, is summarized as follows:

Accounts receivable	138,291
Inventories	31,944
Other current assets	13,947
Fixed assets	617,878
Mineral leaseholds	623,137
Accounts payable	(51,534)
Other current liabilities	(29,870)
Other long-term liabilities	(18,793)
Total Purchase Price	$1,325,000

Fixed assets identified in connection with our valuation and preliminary purchase price allocation include the related facilities, machinery and equipment associated with the Alkali Business, principally at our Green River, Wyoming operations. These assets will be depreciated under the straight line method and have an average useful life of approximately 15 years. Mineral leaseholds include the trona reserves at our Green River, Wyoming facility and are depleted over their useful lives as determined by the units of production method. Other long-term liabilities include various items including assumed employee benefit plan obligations.

Our Consolidated Financial Statements include the results of our Alkali Business since September 1, 2017, the closing date of the acquisition. The following table presents selected financial information included in our Consolidated Financial Statements for the periods presented:

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Revenues	$ 66,003	66,003
Net income	$ 10,654	10,654

The table below presents selected unaudited pro forma financial information incorporating the historical results of our Alkali Business. The pro forma financial information below has been prepared as if the acquisition had been completed on January 1, 2016 and is based upon assumptions deemed appropriate by us and may not be indicative of actual results. This pro forma information was prepared using historical financial data of the Tronox trona and trona-based exploring, mining, processing, producing, marketing and selling business and reflects certain estimates and assumptions made by our management. Our unaudited pro forma financial information is not necessarily indicative of what our consolidated financial results would have been had the Alkali Business acquisition been completed on January 1, 2016. Pro forma net income includes the effects of distributions on preferred units and interest expense on incremental borrowings. The dilutive effect of Series A Preferred Units is calculated using the if-converted method.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Pro forma consolidated financial operating results:				
Revenues	$615,275	$653,749	$1,829,389	$1,872,939
Net Income Attributable to Genesis Energy, L.P.	10,978	31,400	59,314	78,113
Net Income Available to Common Unitholders	(5,276)	15,943	10,939	31,853
Basic and diluted earnings per common unit:				
As reported net income per common unit	$0.01	$0.28	$0.51	$0.81

Pro forma net income per common unit	$(0.04)	$0.14	$0.09	$0.28

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As relating to the Alkali Business acquisition, we have incurred approximately $10.4 million in acquisition related costs through September 30, 2017. Such costs are included as "General and Administrative costs" on our Unaudited Condensed Consolidated Statement of Operations.

4. Inventories

The major components of inventories were as follows:

	September 30, 2017	December 31, 2016
Petroleum products	$ 2,618	$ 11,550
Crude oil	46,035	73,133
Caustic soda	5,381	4,593
NaHS	11,176	9,304
Raw materials - Alkali Operations	4,560	—
Work-in-process - Alkali Operations	4,751	—
Finished goods, net - Alkali Operations	14,197	—
Materials and supplies, net - Alkali Operations	9,840	—
Other	—	7
Total	$ 98,558	$ 98,587

Inventories are valued at the lower of cost or net realizable value. The net realizable value of inventories were not recorded below cost as of September 30, 2017 and December 31, 2016.

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GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Fixed Assets and Mineral Leaseholds
Fixed Assets
Fixed assets consisted of the following:

	September 30, 2017	December 31, 2016
Crude oil pipelines and natural gas pipelines and related assets	$ 3,004,618	$ 2,901,202
Alkali facilities, machinery, and equipment	617,878	—
Onshore facilities, machinery, and equipment	757,874	427,658
Transportation equipment	17,995	17,543
Marine vessels	898,582	863,199
Land, buildings and improvements	103,774	55,712
Office equipment, furniture and fixtures	9,681	9,654
Construction in progress	58,069	440,225
Other	53,821	48,203
Fixed assets, at cost	5,522,292	4,763,396
Less: Accumulated depreciation	(681,900)	(548,532)
Net fixed assets	$ 4,840,392	$ 4,214,864

Mineral Leaseholds
Our Mineral Leaseholds, as relating to our recently acquired Alkali Business, consist of the following:

	September 30, 2017
Mineral leaseholds	623,137
Less: Accumulated depletion	(381)
Mineral leaseholds, net	$ 622,756

Our depreciation and depletion expense for the periods presented was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Depreciation expense	$57,117	$46,909	$157,438	$135,428
Depletion Expense	381	—	381	—

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GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Asset Retirement Obligations

We record AROs in connection with legal requirements to perform specified retirement activities under contractual arrangements and/or governmental regulations.

The following table presents information regarding our AROs since December 31, 2016:

ARO liability balance, December 31, 2016	$213,726
Accretion expense	8,257
Change in estimate	7,875
Acquisitions	2,444
Divestitures	(7,649)
Settlements	(21,252)
Other	240
ARO liability balance, September 30, 2017	$203,641

Of the ARO balances disclosed above, $19.3 million and $22.4 million is included as current in "Accrued liabilities" on our Unaudited Condensed Consolidated Balance Sheet as of September 30, 2017 and December 31, 2016, respectively. The remainder of the ARO liability as of September 30, 2017 and December 31, 2016 is included in "Other long-term liabilities" on our Unaudited Condensed Consolidated Balance Sheet.

With respect to our AROs, the following table presents our forecast of accretion expense for the periods indicated:

Remainder of	2017	$2,741
	2018	$9,686
	2019	$8,782
	2020	$9,378
	2021	$10,014

Certain of our unconsolidated affiliates have AROs recorded at September 30, 2017 relating to contractual agreements and regulatory requirements. These amounts are immaterial to our Consolidated Financial Statements.

6. Equity Investees

We account for our ownership in our joint ventures under the equity method of accounting. The price we pay to acquire an ownership interest in a company may exceed or be less than the underlying book value of the capital accounts we acquire. Such excess cost amounts are included within the carrying values of our equity investees. At September 30, 2017 and December 31, 2016, the unamortized excess cost amounts totaled $386.3 million and $398.1 million, respectively. We amortize the excess cost as a reduction in equity earnings in a manner similar to depreciation.

The following table presents information included in our Unaudited Condensed Consolidated Financial Statements related to our equity investees.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Genesis’ share of operating earnings	$16,986	$16,444	$46,631	$47,281
Amortization of excess purchase price	(3,942)	(3,956)	(11,826)	(11,919)
Net equity in earnings	$13,044	$12,488	$34,805	$35,362
Distributions received	$20,180	$21,551	$60,371	$66,180

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GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following tables present the unaudited balance sheet and income statement information (on a 100% basis) for Poseidon Oil Pipeline Company (which is our most significant equity investment):

	September 30, 2017	December 31, 2016
BALANCE SHEET DATA:		
Assets		
Current assets	$ 18,638	$ 17,111
Fixed assets, net	221,123	232,736
Other assets	1,282	861
Total assets	$ 241,043	$ 250,708
Liabilities and equity		
Current liabilities	$ 20,683	$ 20,727
Other liabilities	231,469	219,644
Equity	(11,109)	10,337
Total liabilities and equity	$ 241,043	$ 250,708

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
INCOME STATEMENT DATA:				
Revenues	$30,597	$31,219	$88,003	$90,658
Operating income	$22,334	$23,107	$63,159	$68,166
Net income	$20,739	$21,921	$58,754	$64,670

Poseidon's revolving credit facility

Borrowings under Poseidon’s revolving credit facility, which was amended and restated in February 2015, are primarily used to fund spending on capital projects. The February 2015 credit facility is non-recourse to Poseidon’s owners and secured by substantially all of Poseidon's assets. The February 2015 credit facility contains customary covenants such as restrictions on debt levels, liens, guarantees, mergers, sale of assets and distributions to owners. A breach of any of these covenants could result in acceleration of the maturity date of Poseidon’s debt. Poseidon was in compliance with the terms of its credit agreement for all periods presented in these Unaudited Condensed Consolidated Financial Statements.

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7. Intangible Assets
The following table summarizes the components of our intangible assets at the dates indicated:

	September 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Carrying Value	Gross Carrying Amount	Accumulated Amortization	Carrying Value
Sodium minerals and sulfur services:						
Customer relationships	$94,654	$ 91,809	$2,845	$94,654	$ 89,756	$4,898
Licensing agreements	38,678	35,947	2,731	38,678	34,204	4,474
Segment total	133,332	127,756	5,576	133,332	123,960	9,372
Onshore Facilities & Transportation:						
Customer relationships	35,430	34,731	699	35,430	33,676	1,754
Intangibles associated with lease	13,260	4,815	8,445	13,260	4,459	8,801
Segment total	48,690	39,546	9,144	48,690	38,135	10,555
Marine contract intangibles	27,000	10,350	16,650	27,000	6,300	20,700
Offshore pipeline contract intangibles	158,101	18,029	140,072	158,101	11,788	146,313
Other	28,747	12,748	15,999	28,569	10,622	17,947
Total	$395,870	$ 208,429	$187,441	$395,692	$ 190,805	$204,887

Our amortization of intangible assets for the periods presented was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Amortization of intangible assets	$5,879	$6,122	$17,623	$18,154

We estimate that our amortization expense for the next five years will be as follows:

Remainder of	2017	$5,919
	2018	$21,506
	2019	$17,171
	2020	$16,237
	2021	$10,627

8. Debt

Our obligations under debt arrangements consisted of the following:

	September 30, 2017			December 31, 2016		
	Principal	Unamortized Discount and Debt Issuance Costs [1]	Net Value	Principal	Unamortized Discount and Debt Issuance Costs (1)	Net Value
Senior secured credit facility	$1,372,500	$ —	$1,372,500	$1,278,200	$ —	$1,278,200
5.750% senior unsecured notes due February 2021	350,000	3,399	346,601	350,000	4,163	345,837
6.750% senior unsecured notes due August 2022	750,000	16,889	733,111	750,000	19,296	730,704
6.000% senior unsecured notes due May 2023	400,000	5,958	394,042	400,000	6,758	393,242
5.625% senior unsecured notes due June 2024	350,000	5,941	344,059	350,000	6,614	343,386
6.500% senior unsecured notes due October 2025	550,000	9,764	540,236	—	—	—
Total long-term debt	$3,772,500	$ 41,951	$3,730,549	$3,128,200	$ 36,831	$3,091,369

(1) Unamortized debt issuance costs associated with our senior secured credit facility (included in Other Long Term Assets on the Unaudited Condensed Consolidated Balance Sheet) were $15.2 million and $10.7 million as of September 30, 2017 and December 31, 2016, respectively.

As of September 30, 2017, we were in compliance with the financial covenants contained in our credit agreement and senior unsecured notes indentures.

Senior Secured Credit Facility

In July 2017, we amended our credit agreement to, among other things, make certain technical amendments related to the financing of our acquisition of the Alkali Business.

The key terms for rates under our $1.7 billion senior secured credit facility, which are dependent on our leverage ratio (as defined in the credit agreement), are as follows:

- The applicable margin varies from 1.50% to 3.00% on Eurodollar borrowings and from 0.50% to 2.00% on alternate base rate borrowings.
- Letter of credit fees range from 1.50% to 3.00%
- The commitment fee on the unused committed amount will range from 0.25% to 0.50%.
- The accordion feature is $300.0 million, giving us the ability to expand the size of the facility to up to $2.0 billion for acquisitions or growth projects, subject to lender consent.

At September 30, 2017, we had $1.4 billion borrowed under our $1.7 billion credit facility, with $38.7 million of the borrowed amount designated as a loan under the inventory sublimit. Our credit agreement allows up to $100.0 million of the capacity to be used for letters of credit, of which $12.8 million was outstanding at September 30, 2017. Due to the revolving nature of loans under our credit facility, additional borrowings and periodic repayments and re-borrowings may be made until the maturity date. The total amount available for borrowings under our credit facility at September 30, 2017 was $314.7 million.

Senior Unsecured Note Issuance

On August 14, 2017, we issued $550 million in aggregate principal amount of 6.50% senior unsecured notes due October 1, 2025. Interest payments are due April 1 and October 1 of each year with the initial interest payment due April 1, 2018. That issuance generated net proceeds of $540.1 million, net of issuance costs incurred. The net proceeds were used to fund a portion of the purchase price for our acquisition of the Alkali Business.

9. Partners’ Capital, Mezzanine Equity and Distributions

At September 30, 2017, our outstanding common units consisted of 122,539,221 Class A units and 39,997 Class B units.

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On March 24, 2017, we issued 4,600,000 Class A common units in a public offering at a price of $30.65 per unit, which included the exercise by the underwriters of an option to purchase up to 600,000 additional common units from us. We received proceeds, net of offering costs, of approximately $140.5 million from that offering.

Distributions

We paid or will pay the following distributions to our common unitholders in 2016 and 2017:

Distribution For	Date Paid	Per Unit Amount	Total Amount
2016			
1st Quarter	May 13, 2016	$0.6725	$73,961
2nd Quarter	August 12, 2016	$0.6900	$81,406
3rd Quarter	November 14, 2016	$0.7000	$82,585
4th Quarter	February 14, 2017	$0.7100	$83,765
2017			
1st Quarter	May 15, 2017	$0.7200	$88,257
2nd Quarter	August 14, 2017	$0.7225	$88,563
3rd Quarter	November 14, 2017 (1)	$0.5000	$61,290

(1) This distribution will be paid to unitholders of record as of October 31, 2017.

Class A Convertible Preferred Units

On September 1, 2017, we sold $750 million of Class A convertible preferred units in a private placement, comprised of 22,249,494 units for a cash purchase price per unit of $33.71 (subject to certain adjustments, the "Issue Price") to two initial purchasers. Our general partner executed an amendment to our partnership agreement in connection therewith, which, among other things, authorized and established the rights and preferences of our preferred units. Our preferred units are a new class of security that ranks senior to all of our currently outstanding classes or series of limited partner interests with respect to distribution and/or liquidation rights. Holders of our preferred units vote on an as-converted basis with holders of our common units and have certain class voting rights, including with respect to any amendment to the partnership agreement that would adversely affect the rights, preferences or privileges, or otherwise modify the terms, of those preferred units.

Each of our preferred units accumulate quarterly distribution amounts in arrears at an annual rate of 8.75% (or $2.9496), yielding a quarterly rate of 2.1875% (or $0.7374), subject to certain adjustments. With respect to any quarter ending on or prior to March 1, 2019, we have the option to pay to the holders of our preferred units the applicable distribution amount in cash, preferred units, or any combination thereof. If we elect to pay all or any portion of a quarterly distribution amount in preferred units, the number of such preferred units will equal the product of (i) the number of then outstanding preferred units and (ii) the quarterly rate. We have elected to pay the distribution amount attributable to the quarter ended on September 30, 2017 in preferred units. For each quarter ending after March 1, 2019, we must pay all distribution amounts in respect of our preferred units in cash.

From time to time after September 1, 2020, we will have the right to cause the conversion of all or a portion of outstanding preferred units into our common units, subject to certain conditions; provided, however, that we will not be permitted to convert more than 7,416,498 of our preferred units in any consecutive twelve-month period. At any time after September 1, 2020, if we have fewer than 592,768 of our preferred units outstanding, we will have the right to convert each outstanding preferred unit into our common units at a conversion rate equal to the greater of (i) the then-applicable conversion rate and (ii) the quotient of (a) the Issue Price and (b) 95% of the volume-weighted average price of our common units for the 30-trading day period ending prior to the date that we notify the holders of our outstanding preferred units of such conversion.

Upon certain events involving certain changes of control in which more than 90% of the consideration payable to the holders of our common units is payable in cash, our preferred units will automatically convert into common units at a conversion ratio equal to the greater of (a) the then applicable conversion rate and (b) the quotient of (i) the product of

(A) the sum of (1) the Issue Price and (2) any accrued and accumulated but unpaid distributions on our preferred units, and (B) a premium factor (ranging from 115% to 101% depending on when such transaction occurs) plus a prorated portion of unpaid partial distributions, and (ii) the volume weighted average price of the common units for the 30 trading days prior to the execution of definitive documentation relating to such change of control.

In connection with other change of control events that do not meet the 90% cash consideration threshold described above, each holder of our preferred units may elect to (a) convert all of its preferred units into our common units at the then applicable conversion rate, (b) if we are not the surviving entity (or if we are the surviving entity, but our common units will cease to be listed), require us to use commercially reasonable efforts to cause the surviving entity in any such transaction to issue a substantially equivalent security (or if we are unable to cause such substantially equivalent securities to be issued, to convert its preferred units into common units in accordance with clause (a) above or exchanged in accordance with clause (d) below or convert at a specified conversion rate), (c) if we are the surviving entity, continue to hold our preferred units or (d) require us to exchange our preferred units for cash or, if we so elect, our common units valued at 95% of the volume-weighted average price of our common units for the 30 consecutive trading days ending on the fifth trading day immediately preceding the closing date of such change of control, at a price per unit equal to the sum of (i) the product of (x) 101% and (y) the Issue Price plus (ii) accrued and accumulated but unpaid distributions and (iii) a prorated portion of unpaid partial distributions.

For a period of 30 days following (i) September 1, 2022 and (ii) each subsequent anniversary thereof, the holders of our preferred units may make a one-time election to reset the quarterly distribution amount (a “Rate Reset Election”) to a cash amount per preferred unit equal to the amount that would be payable per quarter if a preferred unit accrued interest on the Issue Price at an annualized rate equal to three-month LIBOR plus 750 basis points; provided, however, that such reset rate shall be equal to 10.75% if (i) such alternative rate is higher than the LIBOR-based rate and (ii) the then market price for our common units is then less than 10% of the Issue Price. To become effective, the Rate Reset Election requires approval of holders of at least a majority of our then outstanding preferred units and such majority must include each of our initial purchasers (or any affiliate to whom they have transferred their preferred units) if such initial purchaser (including its affiliates) holds at least 25% of the then outstanding preferred units.

Upon the occurrence of a Rate Reset Election, we may redeem our preferred units for cash, in whole or in part (subject to certain minimum value limitations) for an amount per preferred unit equal to such preferred unit’s liquidation value (equal to the Issue Price plus any accrued and accumulated but unpaid distributions, plus a prorated portion of certain unpaid partial distributions in respect of the immediately preceding quarter and the current quarter) multiplied by (i) 110%, prior to September 1, 2024, and (ii) 105% thereafter. Each holder of our preferred units may elect to convert all or any portion of its preferred units into common units initially on a one-for-one basis (subject to customary adjustments and an adjustment for accrued and accumulated but unpaid distributions and limitations) at any time after September 1, 2019 (or earlier upon a change of control, liquidation, dissolution or winding up), provided that any conversion is for at least $50 million or such lesser amount if such conversion relates to all of a holder’s remaining preferred units or has otherwise been approved by us.

If we fail to pay in full any preferred unit distribution amount after March 1, 2019 in respect of any two quarters, whether or not consecutive, then until we pay such distributions in full, we will not be permitted to (a) declare or make any distributions (subject to a limited exceptions for pro rata distributions on our preferred units and parity securities), redemptions or repurchases of any of our limited partner interests that rank junior to or pari passu with our preferred units with respect to rights upon distribution and/or liquidation (including our common units), or (b) issue any such junior or parity securities. If we fail to pay in full any preferred unit distribution after March 1, 2019 in respect of any two quarters, whether or not consecutive, then the preferred unit distribution amount will be reset to a cash amount per preferred unit equal to the amount that would be payable per quarter if a preferred unit accrued interest on the Issue Price at an annualized rate equal to the then-current annualized distribution rate plus 200 basis points until such default is cured.

In addition to their right to veto a Rate Reset Election under certain circumstances, we have granted each initial purchaser (including its applicable affiliate transferees) certain rights, including (i) the right to appoint an observer, who shall have the right to attend our board meetings for so long as an initial purchaser (including its affiliates) owns at least $200 million of our preferred units; (ii) the right to purchase up to 50% of any parity securities on substantially the same terms offered to other purchasers for so long as an initial purchaser (including its affiliates) owns at least 11,124,747 of our preferred units, and (iii) the right to appoint two directors to our general partner’s board of directors if (and so long as) we fail to pay in full any three quarterly distribution amounts, whether or not consecutive, attributable to any quarter ending after March 1, 2019.

The Rate Reset Election of these preferred units represents an embedded derivative that must be bifurcated from the related host contract and recorded at fair value on our Unaudited Condensed Consolidated Balance Sheet. See further information in Note 14. The preferred units themselves are classified as mezzanine capital on our Unaudited Condensed Consolidated Balance Sheet.

10. Net Income Per Common Unit

Basic net income per common unit is computed by dividing net income, after considering income attributable to our Series A preferred unitholders, by the weighted average number of common units outstanding.

The dilutive effect of the Series A Convertible Preferred units is calculated using the if-converted method. Under the if-converted method, the Series A Preferred units are assumed to be converted at the beginning of the period (beginning with their respective issuance date), and the resulting common units are included in the denominator of the diluted net income per common unit calculation for the period being presented. Distributions declared in the period and undeclared distributions that accumulated during the period are added back to the numerator for purposes of the if-converted calculation. For the three and nine months ended September 30, 2017, the effect of the assumed conversion of the 22,249,494 Series A convertible preferred units was anti-dilutive and was not included in the computation of diluted earnings per unit.

The following table reconciles net income and weighted average units used in computing basic and diluted net income per common unit (in thousands, except per unit amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income Attributable to Genesis Energy L.P.	$6,312	32,101	$67,135	$91,131
Less: Accumulated distributions attributable to Series A Convertible Preferred Units	(5,469)	—	(5,469)	—
Net Income Available to Common Unitholders	$843	$32,101	$61,666	$91,131
Weighted Average Outstanding Units	122,579	115,718	121,198	111,906
Basic and Diluted Net Income per Common Unit	$0.01	$0.28	$0.51	$0.81

11. Business Segment Information

In the fourth quarter of 2016, we reorganized our operating segments as a result of the way our Chief Executive Officer, who is our chief operating decision maker, evaluates the performance of operations, develops strategy and allocates resources. The results of our onshore pipeline transportation segment, formerly reported under its own segment, are now reported in our onshore facilities and transportation segment. The onshore facilities and transportation segment was formerly named our supply and logistics segment. This segment was renamed in the second quarter of 2017 to more accurately describe the nature of its operations. This change is consistent with the increasingly integrated nature of our onshore operations.

On September 1, 2017, we acquired Tronox's Alkali Business for approximately $1.325 billion in cash. We funded that acquisition and the related transaction costs with proceeds from a $750 million private placement of convertible preferred units, a $550 million public offering of notes, our revolving credit facility, and cash on hand. At the closing, we entered into transition service agreements to facilitate the transition of operations and uninterrupted services for both employees and customers. We will report the results of our Alkali Business in our renamed sodium minerals and sulfur services segment, which will include our Alkali Business as well as our existing refinery services operations.

As a result of the above changes, we currently manage our businesses through four divisions that constitute our reportable segments - offshore pipeline transportation, sodium minerals and sulfur services, onshore facilities and transportation and marine transportation. Our disclosures related to prior periods have been recast to reflect our reorganized segments.

We currently manage our businesses through four divisions that constitute our reportable segments:

- Offshore pipeline transportation – offshore pipeline transportation and processing of crude oil and natural gas in the Gulf of Mexico;
- Sodium minerals and sulfur services – trona and trona-based exploring, mining, processing, producing, marketing and selling activities, as well as processing high sulfur (or "sour") gas streams as part of refining operations to remove the sulfur and selling the related by-product, NaHS;
- Onshore facilities and transportation – terminalling, blending, storing, marketing and transporting crude oil, petroleum products (primarily fuel oil, asphalt, and other heavy refined products) and CO_2.
- Marine transportation – marine transportation to provide waterborne transportation of petroleum products and crude oil throughout North America; and

Substantially all of our revenues are derived from, and substantially all of our assets are located in, the United States.

We define Segment Margin as revenues less product costs, operating expenses (excluding non-cash gains and charges, such as depreciation, depletion and amortization), and segment general and administrative expenses, plus our equity in distributable cash generated by our equity investees. In addition, our Segment Margin definition excludes the non-cash effects of our legacy stock appreciation rights plan and includes the non-income portion of payments received under direct financing leases.

Our chief operating decision maker (our Chief Executive Officer) evaluates segment performance based on a variety of measures including Segment Margin, segment volumes, where relevant, and capital investment.

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Segment information for the periods presented below was as follows:

	Offshore Pipeline Transportation	Sodium Minerals & Sulfur Services	Marine Transportation	Onshore Facilities & Transportation	Total
Three Months Ended September 30, 2017					
Segment margin (a)	$ 78,228	$30,031	$ 12,649	$ 25,606	$146,514
Capital expenditures (b)	$ 2,356	$1,330,947	$ 23,831	$ 26,578	$1,383,712
Revenues:					
External customers	$ 80,671	$111,756	$ 46,084	$ 247,603	$486,114
Intersegment (c)	—	(1,991)	2,450	(459)	—
Total revenues of reportable segments	$ 80,671	$109,765	$ 48,534	$ 247,144	$486,114
Three Months Ended September 30, 2016					
Segment margin (a)	$ 86,557	$20,526	$ 16,697	$ 17,560	$141,340
Capital expenditures (b)	$ 3,977	$488	$ 26,937	$ 85,348	$116,750
Revenues:					
External customers	$ 89,717	$48,069	$ 53,573	$ 268,691	$460,050
Intersegment (c)	—	(2,344)	1,712	632	—
Total revenues of reportable segments	$ 89,717	$45,725	$ 55,285	$ 269,323	$460,050
Nine Months Ended September 30, 2017					
Segment Margin (a)	$ 243,528	$63,864	$ 39,768	$ 71,999	$419,159
Capital expenditures (b)	$ 8,498	$1,331,892	$ 44,496	$ 115,663	$1,500,549
Revenues:					
External customers	$ 244,653	$204,237	$ 143,599	$ 715,839	$1,308,328
Intersegment (c)	(1,216)	(6,358)	8,439	(865)	—
Total revenues of reportable segments	$ 243,437	$197,879	$ 152,038	$ 714,974	$1,308,328
Nine Months Ended September 30, 2016					
Segment Margin (a)	$ 249,457	$61,586	$ 53,695	$ 63,969	$428,707
Capital expenditures (b)	$ 35,175	$1,645	$ 62,928	$ 258,681	$358,429
Revenues:					
External customers	$ 242,672	$136,437	$ 155,197	$ 750,134	$1,284,440
Intersegment (c)	2,165				