

Western Refining Logistics Q2 2017 Earnings Call

Prepared Remarks
August 8, 2017

Michelle Clemente:

Good afternoon and thank you for joining us today for the second quarter 2017 earnings conference call for Western Refining Logistics.

Joining me for today's prepared remarks is Doug Johnson, President of WNRL.

The earnings release, which can be found on our website at wnrl.com, includes financial disclosure and reconciliations for non-GAAP financial measures that should help you analyze our results.

Our comments during this call will include forward-looking statements that refer to management's expectations or future predictions.

They are subject to risks and uncertainties that could cause actual results to differ from our expectations.

Please refer to the earnings release for additional information on forward-looking statements.

I'll now turn the call over to Doug.

Doug Johnson:

Thanks, Michelle.

Welcome to WNRL's second quarter 2017 earnings call.

WNRL had another successful quarter as we saw increases in net income, EBITDA, and distributable cash flow resulting in our 14th consecutive quarter of distribution growth.

These results were driven primarily by increases in crude oil movements in the Delaware Basin and the acquisition of the St. Paul Park logistics assets in the second half of 2016.

Our Wholesale fuel business also had a good quarter due to strong fuel volumes and we saw strong growth in our crude oil and trucking volumes in the Delaware Basin and asphalt trucking as well.

With the recent ownership and organizational changes our priorities have remained consistent: to optimize our existing portfolio and to grow organically.

At the end of June, we closed on the sale of one component of our lubes business, with proceeds of \$14.7 million. Resulting in a gain of \$2.8 million. We expect to close the divestment of the residual portion of our lubes business during the third quarter of 2017.

Let me summarize our second quarter 2017 results.

In our logistics segment, total mainline movements were up 13 percent from Q1 primarily due to increases in our Permian and Delaware Basin systems. Our truck gathering volumes are down slightly compared to Q1, which is a direct result of the increases in our pipeline gathering systems.

We continue to see rig activity and crude oil production growth in the Delaware Basin and believe WNRL is well-positioned to fully leverage its logistics assets to capture this growth.

In our wholesale segment, fuel volumes were a strong 83,200 barrels per day. Total crude oil and asphalt trucking volumes were also up from Q1 by about 8 percent, which was in-line with expectations.

We have a 2017 capital budget of \$43 million, of which \$27 million is for discretionary projects. Most of these projects are construction of additional gathering lines that will feed our mainline system in the Delaware Basin.

Now I'll review our financials in more detail.

For Q2 2017, the Company reported net income attributable to limited partners of \$18.7 million or \$0.24 per diluted common unit. EBITDA for Q2 was \$34.8 million, an increase of 10 percent over Q2 2016 and cash available for distribution in Q2 was \$26.4 million, up 5 percent versus Q2 2016.

Maintenance capital expenditures were \$2.4 million for the second quarter and \$4.6 million for the first half of 2017.

As of June 30, we had cash on hand of \$10.5 million and availability under our revolver of \$479 million. We had \$20 million borrowed on our revolver and \$1 million of outstanding letters of credit.

In addition, Andeavor has indicated it has authorized their management to work with the board of directors and management of Andeavor Logistics to consider and begin to negotiate a merger of Andeavor Logistics and Western Refining Logistics.

In addition, Andeavor has indicated it has authorized their management to work with the board of directors and management of Andeavor Logistics to consider changes to the capital structure of Andeavor Logistics with respect to the incentive distribution rights or IDRs.

The board of directors and the conflicts committee of WNRL has received an initial offer and is reviewing the offer. Management believes it will be able to complete negotiations and announce the transaction during the third quarter of 2017.

On July 25th, our Board of Directors declared a cash distribution for Q2 of 46.75 cents per unit or \$1.87 per unit on an annualized basis. This distribution represents a 15 percent compound annual growth rate since WNRL's October 2013 initial public offering.

Wrapping up, we are pleased with WNRL's second quarter 2017 performance.

Thank you for listening and if you have further questions please feel free to call Michelle Clemente in our Investor Relations department at 602-286-1533.

I would like to thank our employees for their hard work, which has allowed WNRL to continue to deliver strong financial and operational performance. We continue to be focused on executing our plans and growing the business.