

# [***Phillips 66 Partners Reports Fourth-Quarter 2020 Financial Results; Fourth Quarter; Full-Year 2020***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:61W9-MD91-DXY3-00FJ-00000-00&context=1516831)

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**Body**

Phillips 66 Partners LP (NYSE: PSXP) announces fourth-quarter 2020 earnings of $104 million, or $0.40 per diluted common unit. Cash from operations was $170 million, and distributable cash flow was $240 million. Adjusted EBITDA was $318 million in the fourth quarter, compared with $313 million in the prior quarter.

"We delivered another quarter of strong operating performance, demonstrating the reliability of our assets and the stability of our portfolio in a challenging market ***environment***," said Greg Garland, Phillips 66 Partners' chairman and CEO. "South Texas Gateway Terminal reached a major milestone with the completion of the second dock and loading of its first Very Large Crude Carrier, and we continue to advance C2G Pipeline construction. We remain focused on reliable operations, completing our projects and disciplined capital allocation."

On Jan. 19, 2021, the general partner's board of directors declared a fourth-quarter 2020 cash distribution of $0.875 per common unit, or $3.50 per unit on an annualized basis.

Financial Results

Phillips 66 Partners' fourth-quarter 2020 earnings were $104 million, compared with $206 million in the third quarter. The decrease was mainly due to $96 million of impairments related to the Partnership's investments in two crude oil logistics joint ventures, reflecting the impact of lower crude oil production. The Partnership reported adjusted EBITDA of $318 million in the fourth quarter, compared with $313 million in the prior quarter. The increase in adjusted EBITDA is primarily due to higher Bakken Pipeline volumes, partially offset by lower volumes on the Sand Hills Pipeline.

Liquidity, Capital Expenditures and Investments

As of Dec. 31, 2020, total debt outstanding was $3.9 billion. The Partnership had $7 million in cash and cash equivalents and $334 million available under its revolving credit facility.

The Partnership's capital expenditures and investments for the quarter were $120 million. Growth capital included spend on the C2G Pipeline project and investment in the South Texas Gateway Terminal.

Strategic Update

At the South Texas Gateway Terminal, which is being constructed by Buckeye Partners, L.P., the second dock commenced crude oil export operations in the fourth quarter. Upon completion in the first quarter of 2021, the marine export terminal will have storage capacity of 8.6 million barrels and up to 800,000 barrels per day of dock throughput capacity. Phillips 66 Partners owns a 25% interest in the terminal.

Phillips 66 Partners continued construction of the C2G Pipeline, a 16 inch ethane pipeline that will connect its Clemens Caverns storage facility to petrochemical facilities in Gregory, Texas, near Corpus Christi, Texas. The project is backed by long-term commitments and is expected to be completed in mid-2021.

Investor Webcast

Members of Phillips 66 Partners executive management will host a webcast today at 2 p.m. EST to discuss the Partnership's fourth-quarter performance. To listen to the conference call and view related presentation materials, go to [*www.phillips66partners.com/events*](https://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.phillips66partners.com%2Fevents&esheet=52369599&newsitemid=20210129005060&lan=en-US&anchor=www.phillips66partners.com%2Fevents&index=1&md5=5c033e01196fb2b1d658bec35ca59036) . For detailed supplemental information, go to [*www.phillips66partners.com/reports*](https://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.phillips66partners.com%2Freports&esheet=52369599&newsitemid=20210129005060&lan=en-US&anchor=www.phillips66partners.com%2Freports&index=2&md5=770ebee6643749206935889d3dd7555a) .

About Phillips 66 Partners

Headquartered in Houston, Phillips 66 Partners is a growth-oriented master limited partnership formed by Phillips 66 to own, operate, develop and acquire primarily fee-based crude oil, refined petroleum products and natural gas liquids pipelines, terminals and other midstream assets. For more information, visit [*www.phillips66partners.com*](https://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.phillips66partners.com&esheet=52369599&newsitemid=20210129005060&lan=en-US&anchor=www.phillips66partners.com&index=3&md5=952678276f9aff538948030a17435f44) .

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This news release contains certain forward-looking statements as defined under the federal securities laws. Words and phrases such as "is anticipated," "is estimated," "is expected," "is planned," "is scheduled," "is targeted," "believes," "continues," "intends," "will," "would," "objectives," "goals," "projects," "efforts," "strategies" and similar expressions are used to identify such forward-looking statements. However, the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements included in this news release are based on management's expectations, estimates and projections as of the date they are made. These statements are not guarantees of future performance and you should not unduly rely on them as they involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. Factors that could cause actual results or events to differ materially from those described in the forward-looking statements include: the continued ability of Phillips 66 to satisfy its obligations under our commercial and other agreements; the volume of crude oil, refined petroleum products and NGL we or our equity affiliates transport, fractionate, terminal and store; the tariff rates with respect to volumes transported through our regulated assets, which are subject to review and possible adjustment by federal and state regulators; fluctuations in the prices for crude oil, refined petroleum products and NGL; the continuing effects of the COVID-19 pandemic and its negative impact on the demand for refined products; changes in governmental policies relating to crude oil, refined petroleum products or NGL pricing, regulation, taxation, or exports; liabilities associated with the risks and operational hazards inherent in transporting, fractionating, terminaling and storing crude oil, refined petroleum products and NGL; curtailment of operations due to accidents, severe weather (including as a result of climate change) or natural disasters, riots, strikes or lockouts; the inability to obtain or maintain permits, in a timely manner or at all, and the possible revocation or modification of permits; our ability to successfully execute growth strategies; the operation, financing and distribution decisions of our equity affiliates; costs to comply with environmental laws and safety regulations; failure of information technology due to various causes, including unauthorized access or attacks; changes to the costs to deliver and transport crude oil, refined petroleum products and NGL; potential liability from litigation or for remedial actions, including removal and reclamation obligations under environmental regulations; the failure to complete construction of capital projects on time and within budget; general domestic and international economic and political developments including armed hostilities, expropriation of assets, and other political, economic or diplomatic developments, including those caused by public health issues; our ability to comply with our debt covenants and to incur additional indebtedness on favorable terms; changes in tax, environmental and other laws and regulations; and other economic, business, competitive and/or regulatory factors affecting Phillips 66 Partners' businesses generally as set forth in our filings with the Securities and Exchange Commission. Phillips 66 Partners is under no obligation (and expressly disclaims any such obligation) to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

Use of Non-GAAP Financial Information-This news release includes the terms "EBITDA," "adjusted EBITDA," "distributable cash flow" and "coverage ratio." These are non-GAAP financial measures. EBITDA and adjusted EBITDA are included to help facilitate comparisons of operating performance of the Partnership with other companies in our industry. EBITDA and distributable cash flow help facilitate an assessment of our ability to generate sufficient cash flow to make distributions to our partners. We believe that the presentation of EBITDA, adjusted EBITDA and distributable cash flow provides useful information to investors in assessing our financial condition and results of operations. Our coverage ratio is calculated as distributable cash flow divided by total cash distributions and is included to help indicate the Partnership's ability to pay cash distributions from current earnings. The GAAP performance measure most directly comparable to EBITDA and adjusted EBITDA is net income. The GAAP liquidity measure most comparable to EBITDA and distributable cash flow is net cash provided by operating activities. The GAAP financial measure most comparable to our coverage ratio is calculated as net cash provided by operating activities divided by total cash distributions. These non-GAAP financial measures should not be considered as alternatives to their comparable GAAP measures. They have important limitations as analytical tools because they exclude some but not all items that affect their corresponding GAAP measures. They should not be considered in isolation or as substitutes for analysis of our results as reported under GAAP. Additionally, because EBITDA, adjusted EBITDA, distributable cash flow and coverage ratio may be defined differently by other companies in our industry, our definition of those measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Reconciliations of these non-GAAP measures to their comparable GAAP measures are included in this release.

References in the release to earnings refer to net income attributable to the Partnership. References to EBITDA refer to earnings before interest, income taxes, depreciation and amortization.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | |  |  |
| Results of Operations (Unaudited) |  | |  |  |
|  |  | |  |  |
| Summarized Financial Statement Information |  | |  |  |
|  | Millions of Dollars Except as Indicated | | | |
|  | Q4 2020 | |  | Q3 2020 |
| Selected Income Statement Data |  | |  |  |
| Total revenues and other income | $ | 390 |  | 394 |
| Net income |  | 111 |  | 216 |
| Net income attributable to the Partnership |  | 104 |  | 206 |
|  |  | |  |  |
| Adjusted EBITDA |  | 318 |  | 313 |
| Distributable cash flow |  | 240 |  | 243 |
|  |  | |  |  |
| Net Income Per Limited Partner Unit-Diluted (Dollars) |  | |  |  |
| Common units | $ | 0.40 |  | 0.85 |
|  |  | |  |  |
| Selected Balance Sheet Data |  | |  |  |
| Cash and cash equivalents | $ | 7 |  | 2 |
| Equity investments |  | 3,244 |  | 3,373 |
| Total assets |  | 7,258 |  | 7,294 |
| Total debt |  | 3,909 |  | 3,783 |
| Equity held by public |  | |  |  |
| Preferred units |  | 749 |  | 747 |
| Common units |  | 2,706 |  | 2,734 |
| Equity held by Phillips 66 |  | |  |  |
| Common units |  | (656) |  | (578) |
|  |  | |  |  |
|  |  | |  |  |
| Statement of Income |  | | | |
|  | Millions of Dollars | | | |
|  | Q4 2020 | |  | Q3 2020 |
| Revenues and Other Income |  | |  |  |
| Operating revenues-related parties | $ | 258 |  | 256 |
| Operating revenues-third parties |  | 7 |  | 9 |
| Equity in earnings of affiliates |  | 124 |  | 129 |
| Other income |  | 1 |  | - |
| Total revenues and other income |  | 390 |  | 394 |
|  |  | |  |  |
| Costs and Expenses |  | |  |  |
| Operating and maintenance expenses |  | 85 |  | 85 |
| Depreciation |  | 39 |  | 35 |
| Impairments |  | 96 |  | - |
| General and administrative expenses |  | 16 |  | 16 |
| Taxes other than income taxes |  | 10 |  | 9 |
| Interest and debt expense |  | 32 |  | 32 |
| Total costs and expenses |  | 278 |  | 177 |
| Income before income taxes |  | 112 |  | 217 |
| Income tax expense |  | 1 |  | 1 |
| Net Income |  | 111 |  | 216 |
| Less: Net income attributable to noncontrolling interest |  | 7 |  | 10 |
| Net Income Attributable to the Partnership |  | 104 |  | 206 |
| Less: Preferred unitholders' interest in net income attributable to the Partnership |  | 12 |  | 10 |
| Limited Partners' Interest in Net Income Attributable to the Partnership | $ | 92 |  | 196 |
|  |  | |  |  |
|  |  | |  |  |
| Selected Operating Data |  | |  |  |
|  | Q4 2020 | |  | Q3 2020 |
| Wholly Owned Operating Data |  | |  |  |
| Pipelines |  | |  |  |
| Pipeline revenues (millions of dollars) | $ | 111 |  | 117 |
| Pipeline volumes(1) (thousands of barrels daily) |  | |  |  |
| Crude oil |  | 843 |  | 867 |
| Refined petroleum products and natural gas liquids |  | 877 |  | 907 |
| Total |  | 1,720 |  | 1,774 |
|  |  | |  |  |
| Average pipeline revenue per barrel (dollars) | $ | 0.70 |  | 0.71 |
|  |  | |  |  |
| Terminals |  | |  |  |
| Terminal revenues (millions of dollars) | $ | 41 |  | 36 |
| Terminal throughput (thousands of barrels daily) |  | |  |  |
| Crude oil(2) |  | 283 |  | 296 |
| Refined petroleum products |  | 711 |  | 700 |
| Total |  | 994 |  | 996 |
|  |  | |  |  |
| Average terminaling revenue per barrel (dollars) | $ | 0.44 |  | 0.39 |
|  |  | |  |  |
| Storage, processing and other revenues (millions of dollars) | $ | 113 |  | 112 |
| Total Operating Revenues (millions of dollars) | $ | 265 |  | 265 |
|  |  | |  |  |
| Joint Venture Operating Data(3) |  | |  |  |
| Crude oil, refined petroleum products and natural gas liquids (thousands of barrels daily) |  | 1,102 |  | 1,142 |
| (1) Represents the sum of volumes transported through each separately tariffed pipeline segment. | | |  |  |
| (2) Bayway and Ferndale rail rack volumes included in crude oil terminals. | | | | |
| (3) Proportional share of total pipeline and terminal volumes of joint ventures consistent with recognized equity in earnings of affiliates. | | | | |
|  |  |  |  |  |
|  |  |  |  |  |
| Cash Distributions |  |  |  |  |
|  | Millions of Dollars Except as Indicated | | | |
|  | Q4 2020 | |  | Q3 2020 |
| Cash Distributions |  |  |  |  |
| Common units-public | $ | 51 |  | 52 |
| Common units-Phillips 66 |  | 149 |  | 148 |
| Total | $ | 200 |  | 200 |
|  |  |  |  |  |
| Cash Distribution Per Common Unit (Dollars) | $ | 0.875 |  | 0.875 |
|  |  |  |  |  |
| Coverage Ratio\* |  | 1.20 |  | 1.22 |
| Cash distributions declared attributable to the indicated periods. | | |  |  |
| \*Calculated as distributable cash flow divided by total cash distributions. Used to indicate the Partnership's ability to pay cash distributions from current earnings. Net cash provided by operating activities divided by total cash distributions was 0.85x and 1.48x at Q4 2020 and Q3 2020, respectively. | | | | |
|  | | | | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Reconciliation of Adjusted EBITDA and Distributable Cash Flow to Net Income Attributable to the Partnership | | | | | | |
|  |  | | | | | |
|  | Millions of Dollars | | | | | |
|  | 2020 | | | | | |
|  | Year | |  | Q4 |  | Q3 |
|  |  | |  |  |  |  |
| Net Income Attributable to the Partnership | $ | 791 |  | 104 |  | 206 |
| Plus: |  | |  |  |  |  |
| Net income attributable to noncontrolling interest |  | 17 |  | 7 |  | 10 |
| Net Income |  | 808 |  | 111 |  | 216 |
| Plus: |  | |  |  |  |  |
| Depreciation |  | 135 |  | 39 |  | 35 |
| Net interest expense |  | 120 |  | 32 |  | 31 |
| Income tax expense |  | 3 |  | 1 |  | 1 |
| EBITDA |  | 1,066 |  | 183 |  | 283 |
| Plus: |  | |  |  |  |  |
| Proportional share of equity affiliates' net interest, taxes, depreciation and amortization, and impairments |  | 172 |  | 54 |  | 45 |
| Expenses indemnified or prefunded by Phillips 66 |  | 2 |  | 1 |  | 1 |
| Transaction costs associated with acquisitions |  | 1 |  | - |  | - |
| Impairments |  | 96 |  | 96 |  | - |
| Less: |  | |  |  |  |  |
| Gain from equity interest transfer |  | 84 |  | - |  | - |
| Adjusted EBITDA attributable to noncontrolling interest |  | 32 |  | 16 |  | 16 |
| Adjusted EBITDA |  | 1,221 |  | 318 |  | 313 |
| Plus: |  | |  |  |  |  |
| Deferred revenue impacts\* |  | 8 |  | 4 |  | (3) |
| Less: |  | |  |  |  |  |
| Equity affiliate distributions less than proportional adjusted EBITDA |  | - |  | 5 |  | 4 |
| Maintenance capital expenditures |  | 97 |  | 33 |  | 21 |
| Net interest expense |  | 120 |  | 32 |  | 31 |
| Preferred unit distributions |  | 41 |  | 12 |  | 10 |
| Income taxes paid |  | 1 |  | - |  | 1 |
| Distributable Cash Flow | $ | 970 |  | 240 |  | 243 |
| \*Difference between cash receipts and revenue recognition. | | |  |  |  |  |
| Excludes Merey Sweeny capital reimbursements and turnaround impacts. | | | | | | |
|  |  | |  |  |  |  |
|  |  | |  |  |  |  |
| Reconciliation of Adjusted EBITDA and Distributable Cash Flow to Net Cash Provided by Operating Activities | | | | | | |
|  |  | |  |  |  |  |
|  | Millions of Dollars | | | | | |
|  | 2020 | | | | | |
|  | Year | |  | Q4 |  | Q3 |
|  |  | |  |  |  |  |
| Net Cash Provided by Operating Activities | $ | 955 |  | 170 |  | 296 |
| Plus: |  | |  |  |  |  |
| Net interest expense |  | 120 |  | 32 |  | 31 |
| Income tax expense |  | 3 |  | 1 |  | 1 |
| Changes in working capital |  | 15 |  | 75 |  | (45) |
| Undistributed equity earnings |  | (7) |  | 2 |  | - |
| Impairments |  | (96) |  | (96) |  | - |
| Gain from equity interest transfer |  | 84 |  | - |  | - |
| Deferred revenues and other liabilities |  | 4 |  | 1 |  | 1 |
| Other |  | (12) |  | (2) |  | (1) |
| EBITDA |  | 1,066 |  | 183 |  | 283 |
| Plus: |  | |  |  |  |  |
| Proportional share of equity affiliates' net interest, taxes, depreciation and amortization, and impairments |  | 172 |  | 54 |  | 45 |
| Expenses indemnified or prefunded by Phillips 66 |  | 2 |  | 1 |  | 1 |
| Transaction costs associated with acquisitions |  | 1 |  | - |  | - |
| Impairments |  | 96 |  | 96 |  | - |
| Less: |  | |  |  |  |  |
| Gain from equity interest transfer |  | 84 |  | - |  | - |
| Adjusted EBITDA attributable to noncontrolling interest |  | 32 |  | 16 |  | 16 |
| Adjusted EBITDA |  | 1,221 |  | 318 |  | 313 |
| Plus: |  | |  |  |  |  |
| Deferred revenue impacts\* |  | 8 |  | 4 |  | (3) |
| Less: |  | |  |  |  |  |
| Equity affiliate distributions less than proportional adjusted EBITDA |  | - |  | 5 |  | 4 |
| Maintenance capital expenditures |  | 97 |  | 33 |  | 21 |
| Net interest expense |  | 120 |  | 32 |  | 31 |
| Preferred unit distributions |  | 41 |  | 12 |  | 10 |
| Income taxes paid |  | 1 |  | - |  | 1 |
| Distributable Cash Flow | $ | 970 |  | 240 |  | 243 |
| \*Difference between cash receipts and revenue recognition. | | |  |  |  |  |
| Excludes Merey Sweeny capital reimbursements and turnaround impacts. | | | | | | |

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