



*Moving What Moves America®*

# Overview of Magellan Midstream

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March 2023

NYSE: MMP | [magellanlp.com](https://magellanlp.com)

# Forward-looking statements

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Except for statements of historical fact, this document constitutes forward-looking statements as defined by federal law. Although management believes such statements are based on reasonable assumptions, such statements necessarily involve known and unknown risks and uncertainties that may cause actual outcomes to be materially different. Among the key risk factors that may have a direct impact on Magellan's results of operations and financial condition are: impacts from inflation; changes in supply, price or demand for refined petroleum products, crude oil and natural gas liquids, or for transportation, storage, blending or processing of those commodities through our facilities; changes in laws applicable to us; changes in government incentives or initiatives that negatively impact us or positively impact competitive alternatives; changes in our tariff rates or other terms as required by state or federal regulatory authorities; reductions of hydrocarbon production or cutbacks at refineries or at other businesses that use or supply our services; changes in the throughput or interruption in service on pipelines or other facilities owned and operated by third parties and connected to our terminals, pipelines or other facilities; the occurrence of operational hazards or unforeseen interruptions; the treatment of us as a corporation for federal or state income tax purposes or us becoming subject to significant forms of other taxation; changes in our capital needs, cash flows or availability of cash to fund unit repurchases or distributions; and failure of customers or vendors to meet or continue contractual obligations to us. Additional factors that could lead to material changes in performance are described in Magellan's filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2022. You are urged to carefully review and consider the cautionary statements and other disclosures made in those filings, especially under the headings "Risk Factors" and "Forward-Looking Statements." Forward-looking statements made by Magellan in this presentation are based only on information currently known, and we undertake no obligation to revise our forward-looking statements to reflect future events or circumstances.

# Magellan investment highlights

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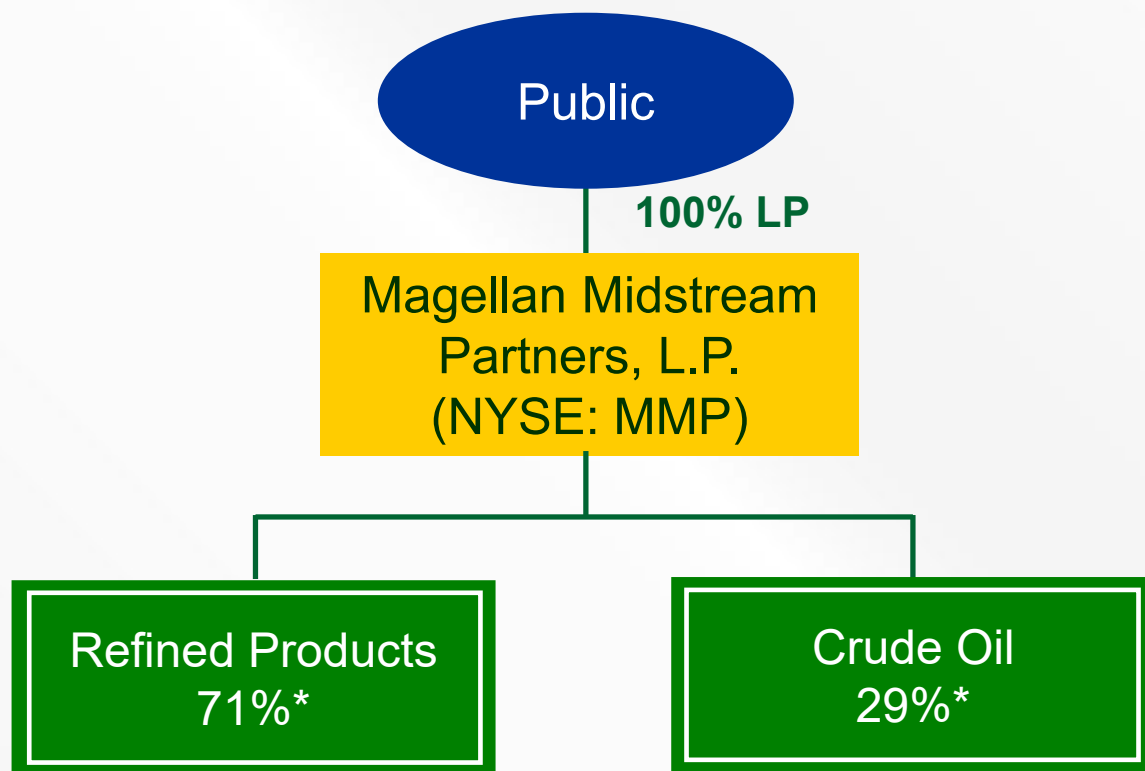
- Essential U.S. midstream infrastructure that will be needed for decades
- Straight-forward, primarily fee-based business model
- Reliable quarterly cash distribution with attractive yield and solid coverage
  - 21 years of annual distribution growth
- Strong balance sheet and investment-grade credit
- Responsible governance and operations
- Disciplined management team focused on creating long-term investor value



# Straight-forward business model

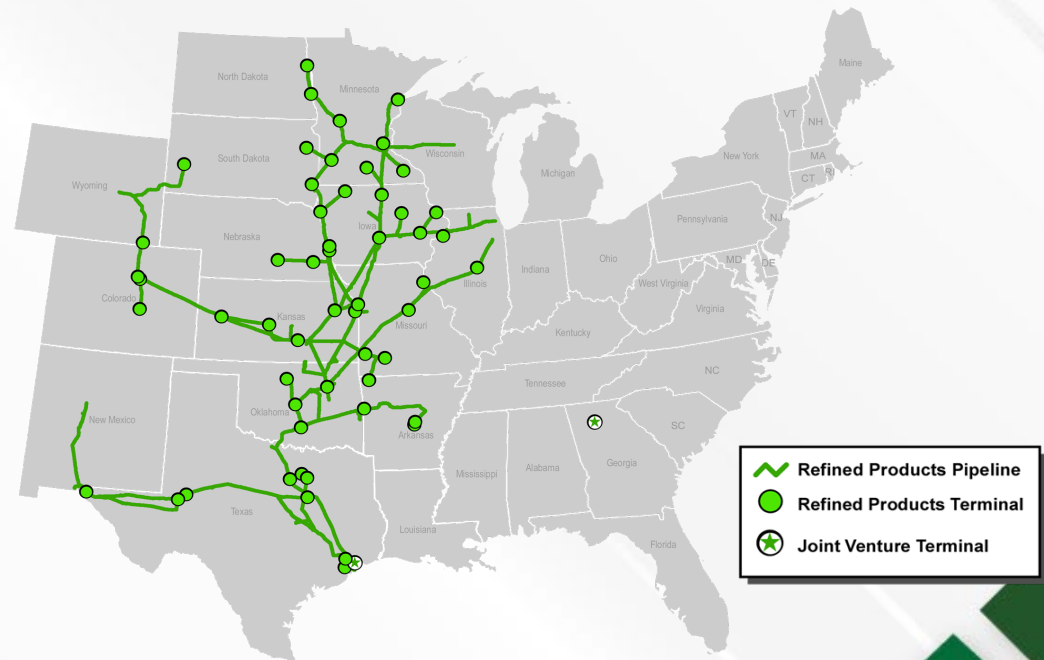
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- Investment grade MLP, with strong governance and independent board elected by the public
- Primarily focused on transportation, storage and distribution of refined petroleum products, such as gasoline and diesel fuel



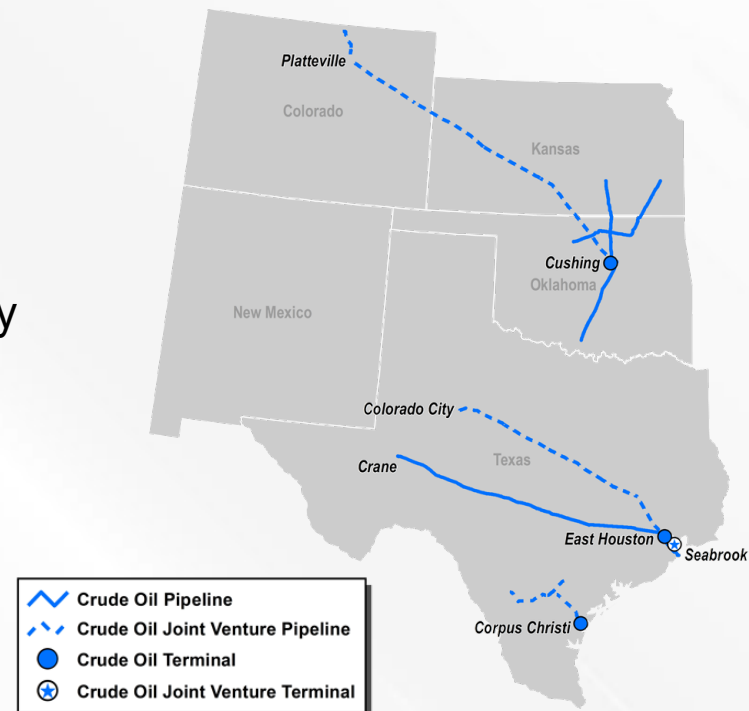
# Refined products segment

- Longest refined petroleum products pipeline system in the U.S., primarily transporting gasoline and diesel fuel, with 9,800 miles, 54 terminals and 47mm barrels of storage
- Profit driven by throughput volume and tariffs
  - Tariff changes related to Producer Price Index as well as market factors; increased an average of 6% in mid-2022, guidance assumes ~8% average tariff increase on July 1, 2023
  - Volumes primarily function of market demand for transportation fuel
- Strong competitive position and stable business platform due to breadth of system (can access nearly 50% of refining capacity) and independent service provider model



# Crude oil segment

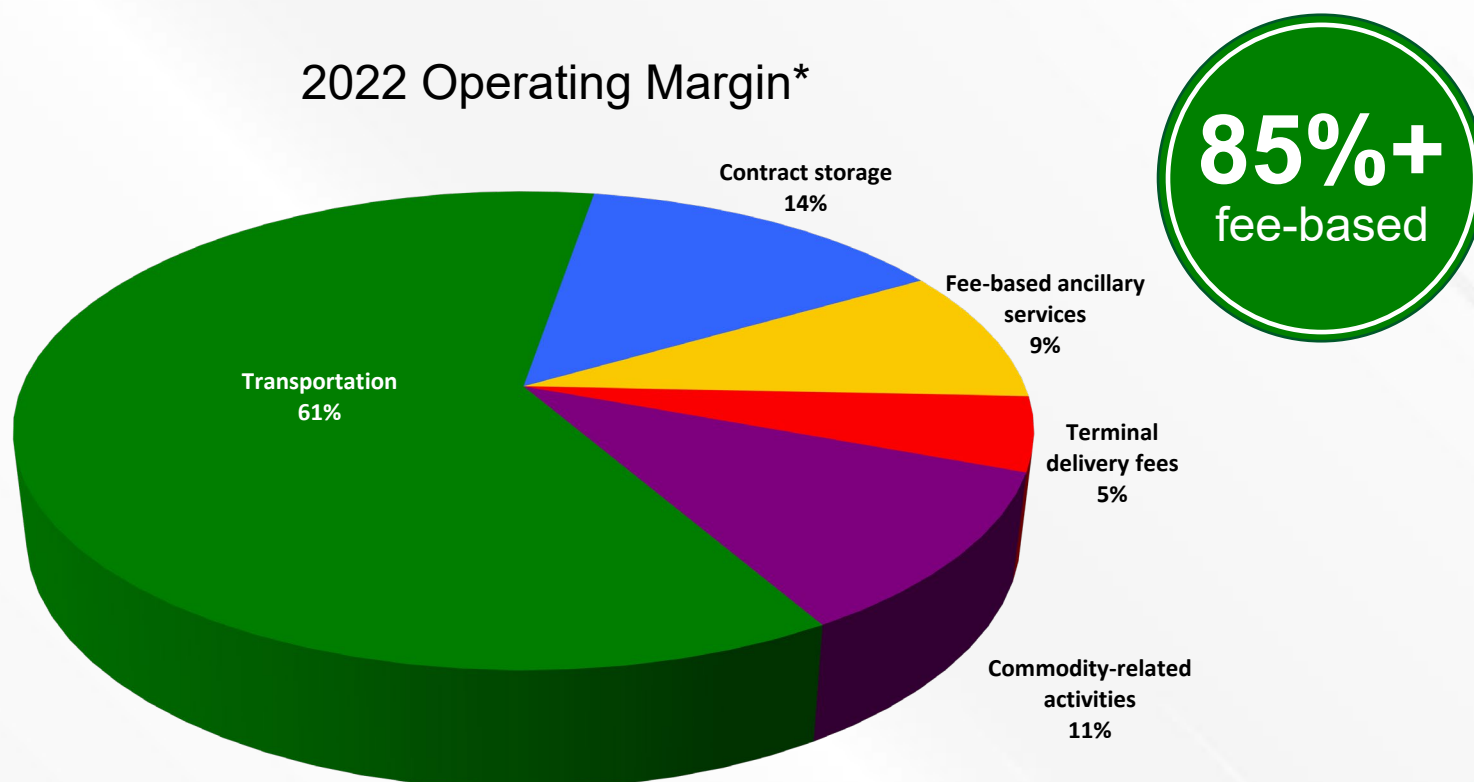
- 2,200 miles of crude oil pipelines, with long-haul pipe capacity largely supported by take-or-pay commitments from creditworthy counterparties
- 39mm barrels of total crude oil storage, including 29mm barrels used for contract storage, with largest locations in strategic Houston and Cushing storage hubs
- Focus on quality and transparency as well as significant Houston connectivity provide competitive advantage





# Primarily fee-based business

- Magellan's business model is primarily focused on fee-based, low-risk activities, which are expected to comprise 85%+ of future operating margin\*

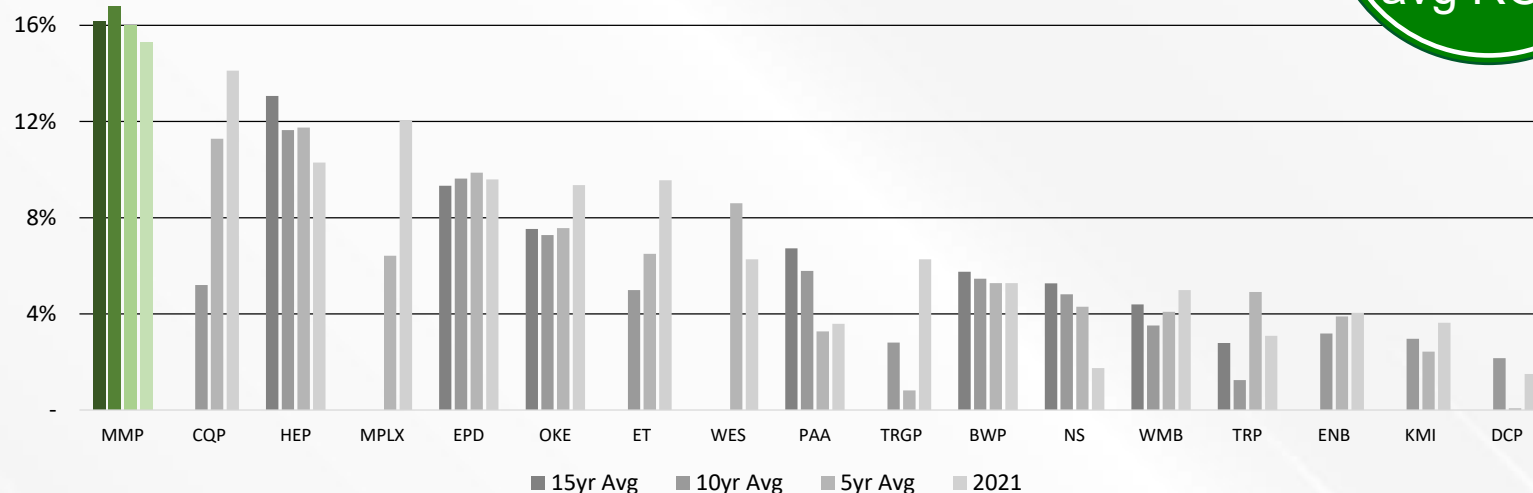


# Best-in-class capital returns

- Magellan has a proven track record of delivering superior returns on invested capital
- Reflects disciplined management style, high quality asset base and strong business position
- Continue to target 6-8x EBITDA multiple on future projects

**15%+**  
historical  
avg ROIC

Return on invested capital

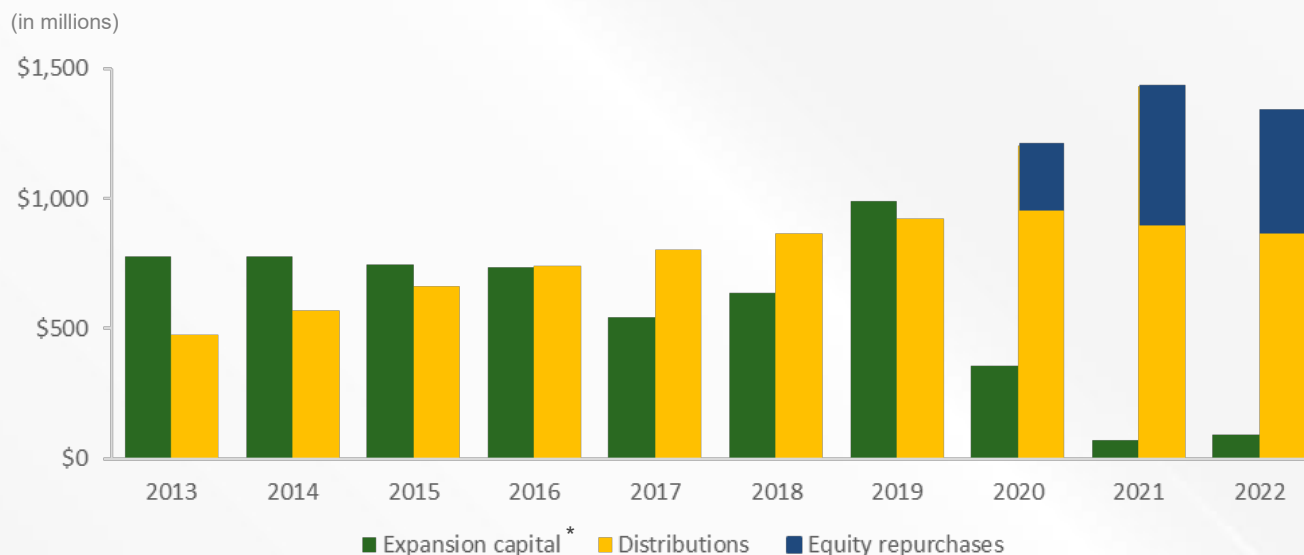




# Capital allocation – returning value to investors

- Focused on delivering long-term value for our investors through a disciplined combination of capital investments, cash distributions and equity repurchases
  - Returned over \$1.3 billion to investors during 2022 through quarterly cash distributions and equity repurchases

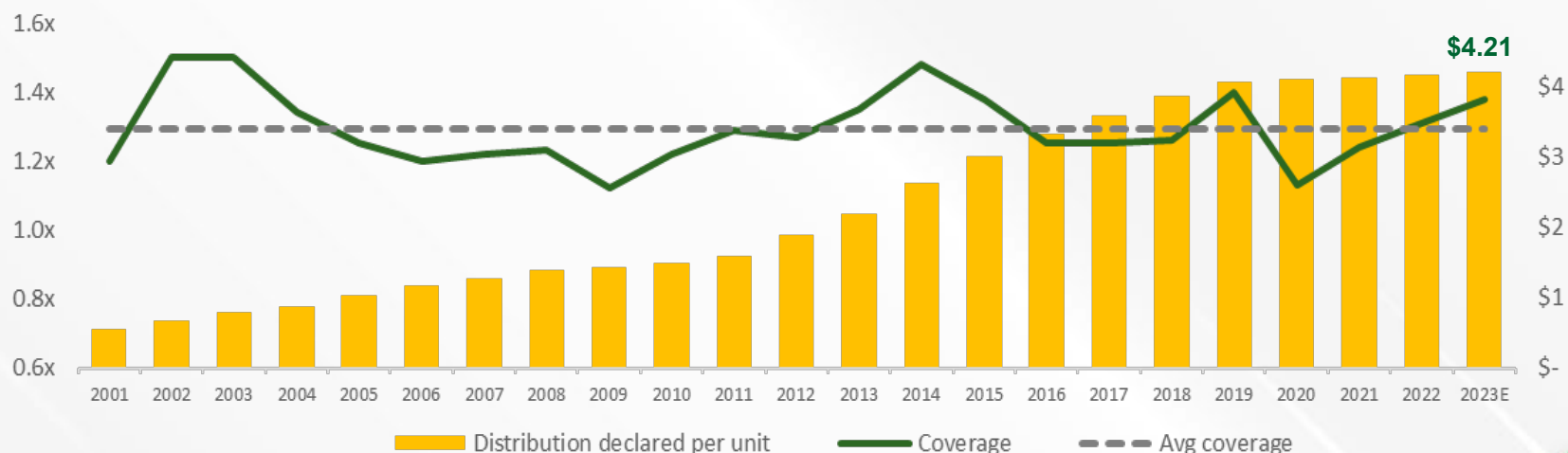
**\$1.3B+**  
value returned  
in 2022



# Reliable cash distribution payments

- Resilient business model has provided strong cash flow to consistently pay distributions through various business cycles since our 2001 IPO
- 21 years of uninterrupted annual distribution growth, setting Magellan apart within the MLP and midstream space
- Targeting annual distribution growth of 1% for 2023, consistent with last 2 years
- Expect distribution coverage of 1.38x for 2023, targeting annual coverage of at least 1.2x on a long-term basis

**21** yrs  
of consecutive  
distribution  
growth

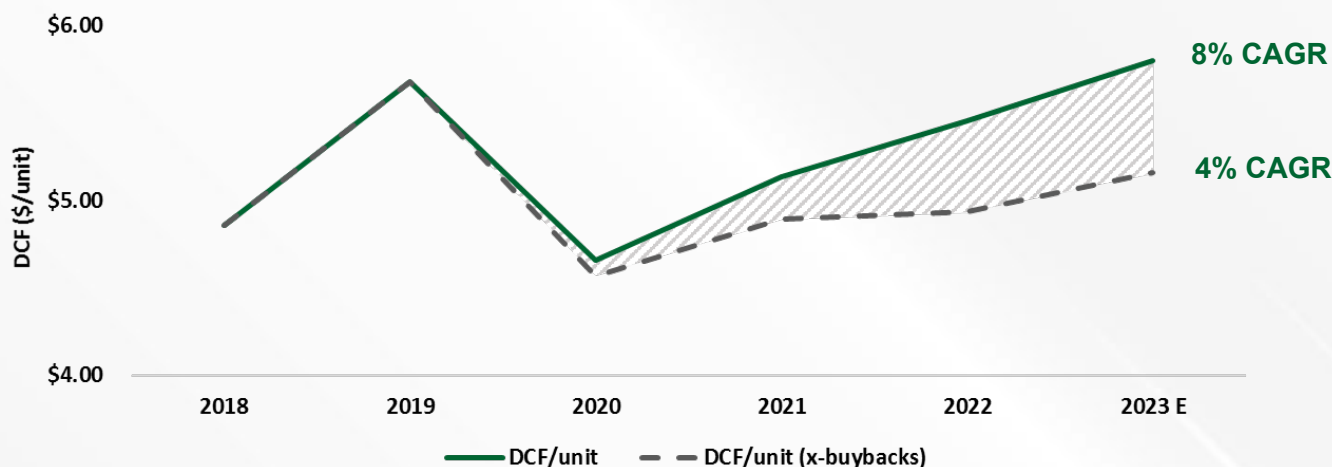


# Equity buyback program creates investor value

- Over the past 3 years, Magellan has opportunistically repurchased 26mm units for \$1.27 billion through 4Q22, representing an 11% reduction in our units outstanding
  - Significantly lower unit count allows DCF/unit to grow at a faster pace than underlying DCF
- Increase in DCF/unit should support MMP unit price appreciation

**11%**  
Reduction in  
unit count

**Impact of buybacks on DCF/unit\***  
including CAGR since 2020

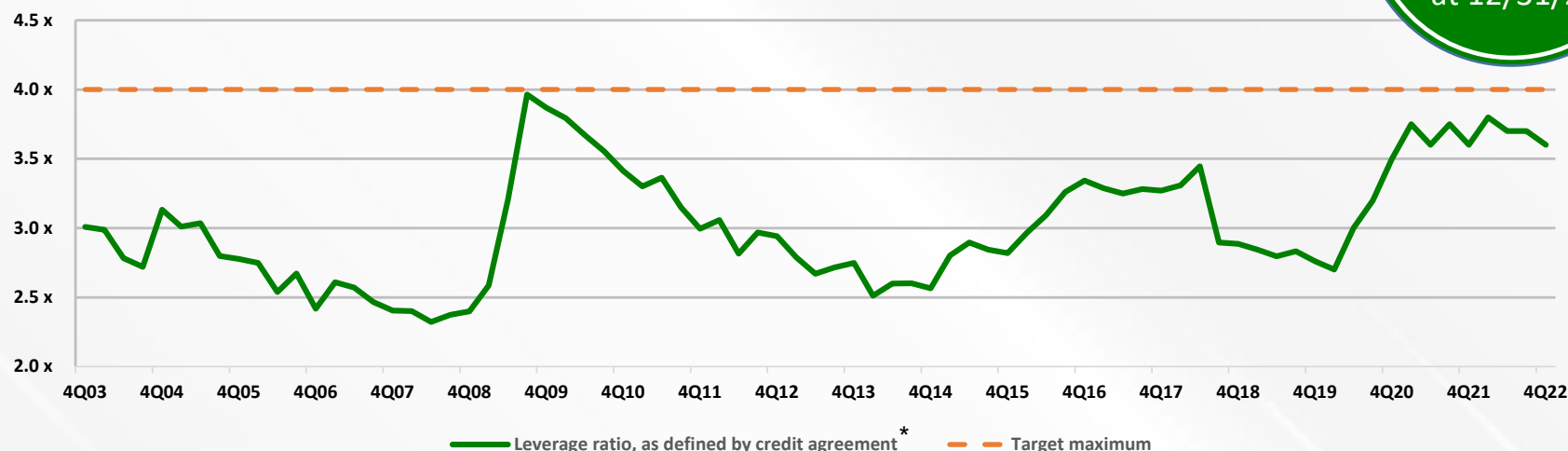


\* Distributable cash flow (DCF) = adjusted EBITDA – maintenance capital – interest expense. Graph depicts DCF/unit with and without impact of actual equity buybacks, based on the number of units receiving distributions related to each period (illustration assumes no additional buybacks in 2023E).

# Track record of sector-leading credit quality

- Committed to maintaining solid balance sheet
  - One of the highest-rated midstream companies at BBB+ / Baa1
- Long-standing target maximum leverage ratio of < 4x debt-to-EBITDA
  - Continue to believe this approach is best fit for our business model
- Significant liquidity with \$1 billion credit facility
  - Next bond maturity: \$250mm in 2025

**3.6x**  
leverage  
at 12/31/22



# Commitment to sustainable business

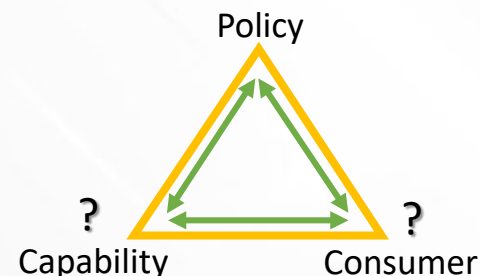
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- Magellan's most important social obligation is to safely and reliably deliver the essential fuels our nation relies on every day
- Committed to running our business responsibly, consistent with our 20+ year history
  - Our operations prioritize safety and follow an extensive program to ensure the integrity of our assets and safety of the communities we serve
- Pipelines are the least carbon intensive way to transport petroleum products
- All-employee annual incentive program aligned with key environmental and safety metrics from the beginning, culture component added recently as well
- Industry leader in governance, with independent board of directors elected by investors and proven track record of capital discipline
- Committed to transparency with our sustainability report available online, including disclosure of scope 1 and 2 greenhouse gas emissions beginning in 2021  
([www.magellanlp.com/Sustainability](http://www.magellanlp.com/Sustainability))



# Magellan has a role to play in energy transition

A combination of policy, capability and consumer preference will drive energy transition.



Energy transition will progress, but.....

- Likely slower pace than many predict
- Likely more volatile in its course
- Destination unknown
- Policy alone likely not enough long-term
- Economic impact very important driver

Magellan's approach:

- Engaged
- Complete view of opportunities and risk
- Policy can create opportunity
- Investments based on competency and advantage
- Economic returns must be appropriate

Energy transition is complex, and many third-party forecasts project petroleum products will remain essential to our nation's everyday lives for decades to come

- Electric vehicles not expected to have a material impact in markets we serve for foreseeable future
  - EVs represented 3% of light duty vehicle sales and <1% of total vehicles in operation on average in MMP's markets during 2022\*



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