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PSXP - Q4 2013 Phillips 66 Partners LP Earnings Conference Call

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CORPORATE PARTICIPANTS

Clayton Reasor *Phillips 66 Partners LP - VP of IR*

Tim Taylor *Phillips 66 Partners LP - President*

Greg Maxwell *Phillips 66 Partners LP - VP & CFO*

PRESENTATION

Operator

Welcome to the fourth quarter 2013 Phillips 66 Partners earnings conference call. My name is Joe, and I will be your operator for today's call.

(Operator Instructions)

Please note that this conference is being recorded. I will now turn the call over to Mr. Clayton Reasor, Vice President of Investor Relations. Mr. Reasor, you may begin.

Clayton Reasor ***- Phillips 66 Partners LP - VP of IR***

Thanks, Joe. Good afternoon. Welcome to Phillips 66 Partners quarterly earnings conference call.

Today, we'll share an operating and financial overview of the business, and have time for question and answers. On the call today are Tim Taylor, President of Phillips 66 Partners; Greg Maxwell, Vice President and CFO; and Tom Liberti, Vice President and Chief Operating Officer.

Slide 2 contains our Safe Harbor Statement. It's a reminder that we'll be making forward-looking statements during the presentation and our Q&A session. Actual results may differ materially from what we discuss today, and factors that could cause these results to differ are included here on the second page, as well as in our filings with the SEC.

Now, I'll turn it over to Tim Taylor for his opening remarks. Tim?

Tim Taylor ***- Phillips 66 Partners LP - President***

Thanks, Clayton. Good afternoon, everyone. We're excited to be here with you to discuss the fourth-quarter results for Phillips 66 Partners.

I'd like to highlight several key takeaways from the quarter. December 31 marked the close of our first full quarter as a publicly-traded Company. Since our IPO in July of 2013, we've delivered on our commitment to safety and operating excellence, finishing the quarter and the year with no injuries or major safety incidents.

During the quarter, volumes came in higher than planned, and those increases were driven by timing related to refinery turnarounds and increased spot sales. In addition to operating safely and efficiently, PSXP reported solid financial results for the quarter, generating $18.8 million of EBITDA and $17.8 million of distributable cash flow.

As a result of our strong operating performance for the quarter, our Board of Directors recently approved a distribution increase of 5.8% over the minimum quarterly distribution. This keeps us on track towards achieving distribution growth of over 20% in our first full year.

We're currently evaluating assets for dropdowns and third-party transactions that we believe will provide our unitholders with increased cash flows, and a strong foundation for growth. We expect to be able to announce an addition to our portfolio in the first half of 2014. Of course, any significant transaction, including future dropdowns, is subject to approval by the Board of Directors of our general partner.

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We're pleased with the alignment that PSXP has with the growth plans of Phillips 66. For example, Phillips 66 has recently announced plans for a 100,000-barrel-per-day NGL fractionator, and a 4.4 million-barrel per month LPG export terminal on the US Gulf Coast. These assets would provide stable, fee-based cash flows and would potentially be good acquisition candidates for PSXP.

We believe that Phillips 66 Partners and its unitholders will benefit from Phillips 66's strong commitment to growing its midstream business. Now I'll turn the call over to Greg Maxwell, who will provide a more detailed update on the financial results for the quarter.

Greg Maxwell - ***Phillips 66 Partners LP - VP & CFO***

Thanks, Tim. Good afternoon, everyone.

Beginning on slide 4, Phillips 66 Partners had fourth-quarter revenues of $30 million. This is up $400,000 from the third quarter. The increase primarily reflects overall higher pipeline and terminal throughput volumes across our systems.

Total costs and expenses of $12.9 million were up $800,000 from the prior quarter, primarily driven by higher general and administrative expenses. These increased expenses reflect the higher cost of operating as a standalone publicly-traded partnership, as well as the incurrence of due diligence costs associated with planned asset acquisitions.

Finally, the general partner's Board recently declared a fourth-quarter cash distribution of $0.2248 per unit. This distribution are payable on February 13 to unitholders of record on February 4. This distribution is 5.8% higher than the partnership's minimum quarterly distribution of $0.2125 per unit.

Turning to slide 5, EBITDA was $18.8 million, and distributable cash flow was 17.8 million for the quarter. The total cash distribution for the period will be $16.2 million, resulting in an overall coverage ratio of 1.1. As we've indicated previously, we continue to target a 1.1 annual coverage ratio; however, on a quarterly basis, it is possible that you may see some slight variances due to the seasonality of our spending.

On the next slide, you can see that we ended the year with $425 million of cash and cash equivalents. Currently, we do not have any debt; however, we do have access to a $250 million revolving credit facility, with a $250 million accordion feature. The bulk of the IPO proceeds, along with this untapped credit facility, are available to fund organic growth opportunities, acquisitions from Phillips 66, and purchases from third parties.

This concludes our prepared remarks. We'll now open the line for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions)

Tim Taylor - ***Phillips 66 Partners LP - President***

Well, Joe, it doesn't sound like we have any questions.

Operator

Yes, I'm showing no further questions.

Tim Taylor - ***Phillips 66 Partners LP - President***

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Great. Thank you very much. We certainly appreciate the interest in our MLP, and look forward to meeting with you in the near future. Thanks a lot, this concludes the call.

Operator

Thank you, ladies and gentlemen. This concludes today's conference. Thank you for your participation. You may now disconnect.

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