Phillips 66 Partners

FOURTH QUARTER 2019 EARNINGS CALL AND WEBCAST

January 31, 2020



Sweeny Fractionator OLD OCEAN, TX

Cautionary Statement

This presentation 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 relating to Phillips 66 Partners’ operations (including joint venture operations) are based on management’s expectations, estimates and projections about the company, its interests and the energy industry in general on the date this presentation was prepared. These statements are not guarantees of future performance and 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 joint ventures transport, fractionate, terminal and store; the tariff rates with respect to volumes that we transport through our regulated assets, which rates are subject to review and possible adjustment by federal and state regulators; fluctuations in the prices for crude oil, refined petroleum products and NGL; liabilities associated with the risks and operational hazards inherent in transporting, fractionating, terminaling and storing 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 announced and future capital projects in a timely manner and any cost overruns associated with such projects; 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 Measures. Today’s presentation includes non-GAAP financial measures. You can find the reconciliations to comparable GAAP financial measures at the end of the presentation materials or in the “Financial Information” section of our website.

Executing the Strategy



2019 Highlights

Operated safely and reliably

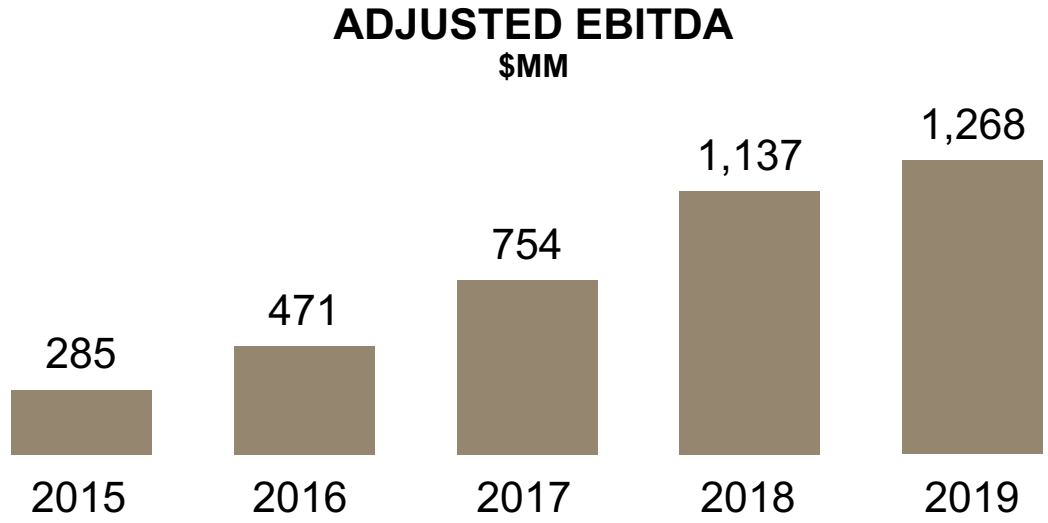
Eliminated incentive distribution rights

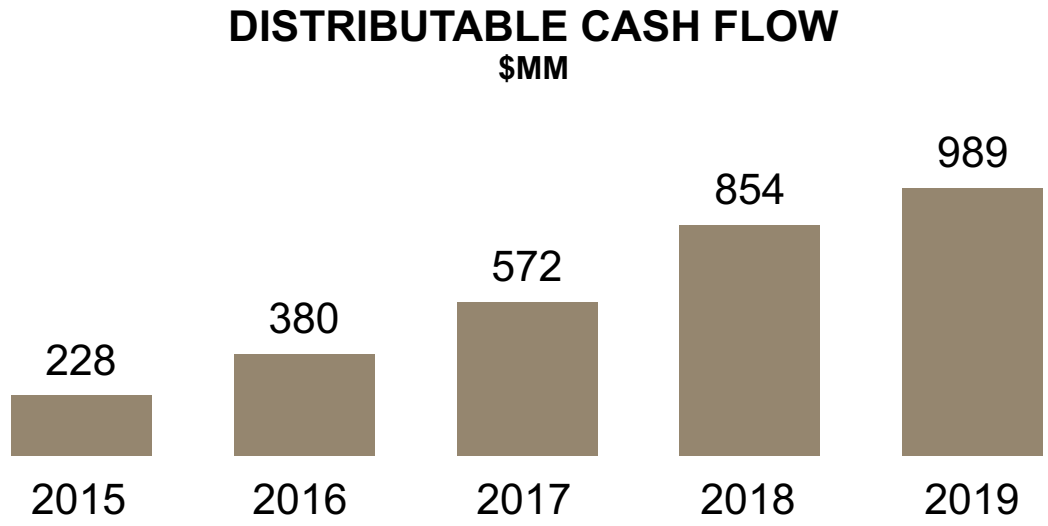
Maintained strong leverage and coverage ratios

Advanced organic growth projects:

- Successful initial startup of Gray Oak Pipeline
- Completion of Lake Charles isomerization unit and second segment of Bayou Bridge Pipeline
- Addition of C2G pipeline project to portfolio

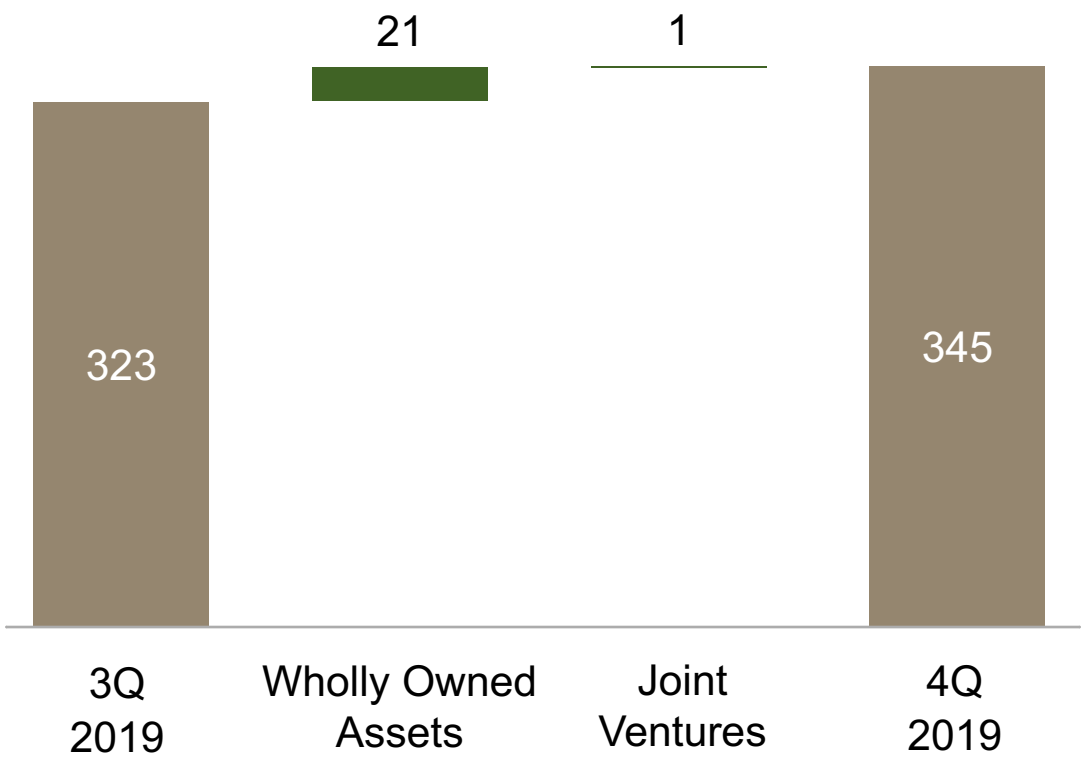
Reached $1.4 B exit run-rate adjusted EBITDA



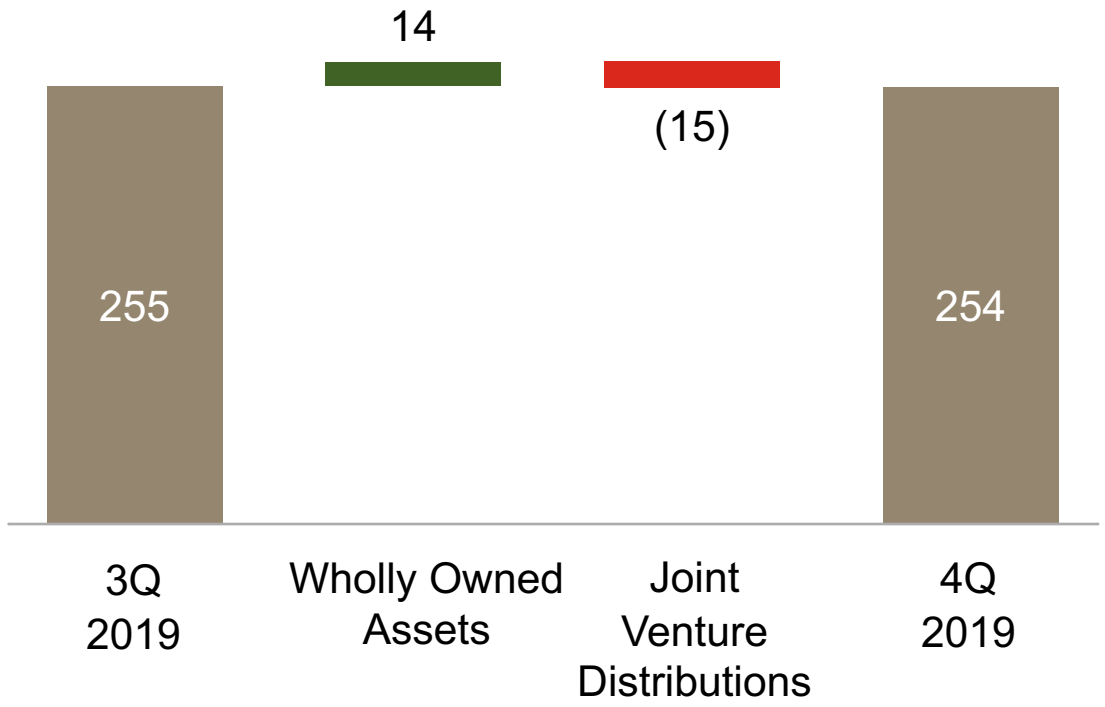


Financial Highlights

ADJUSTED EBITDA
$MM



DISTRIBUTABLE CASH FLOW
$MM



4Q 2019 Overview

$MM (UNLESS OTHERWISE NOTED)

Cash and cash equivalents	$	286
Total debt		3,516
Revolving credit facility availability		749
Debt-to-EBITDA ratio[1]		2.9
Coverage ratio		1.27


Clifton Ridge Marine Terminal SULPHUR, LA

1) Leverage ratio estimated on credit facility covenant basis.

Organic Growth

PROJECT	START-UP	GROSS CAPITAL ($MM)	PSXP OWNERSHIP (%)
Gray Oak Pipeline	4Q 2019	2,700	42.25
Sweeny to Pasadena capacity expansion	2Q 2020	85	100
South Texas Gateway Terminal	3Q 2020	625	25
Clemens Caverns expansion	4Q 2020	150	100
C2G Pipeline	Mid 2021	335	100

Appendix



Non-GAAP Reconciliations

	Millions of Dollars				
	2015	2016	2017	2018	2019
Net income attributable to Phillips 66 Partners	194	301	461	796	923
Plus:					
Net income attributable to Predecessors	112	107	63	—	—
Net income	306	408	524	796	923
Plus:					
Depreciation	61	96	116	117	120
Net interest expense	34	52	99	114	105
Income tax expense	—	2	4	4	3
EBITDA	401	558	743	1,031	1,151
Proportional share of equity affiliates' net interest, taxes and depreciation and amortization	31	45	66	101	116
Expenses indemnified or prefunded by Phillips 66	2	6	8	1	1
Transaction costs associated with acquisitions	2	4	4	4	—
EBITDA attributable to Predecessors	(151)	(142)	(67)	—	—
Adjusted EBITDA	285	471	754	1,137	1,268
Plus:					
Deferred revenue impacts*†	4	11	6	(6)	(6)
Less:					
Equity affiliate distributions less than proportional EBITDA	19	28	29	64	56
Maintenance capital expenditures†	8	22	50	62	74
Net interest expense	34	52	100	114	105
Preferred unit distributions	—	—	9	37	37
Income taxes paid	—	—	—	—	1
Distributable cash flow	228	380	572	854	989

* Difference between cash receipts and revenue recognition

† Excludes Merey Sweeny capital reimbursements and turnaround impacts

Non-GAAP Reconciliations

	Millions of Dollars				
	2015	2016	2017	2018	2019
Net cash provided by operating activities	392	492	724	892	1,016
Plus:					
Net interest expense	34	52	99	114	105
Income tax expense	—	2	4	4	3
Changes in working capital	(12)	28	(30)	(20)	34
Undistributed equity earnings	—	(1)	1	5	3
Deferred revenues and other liabilities	(11)	(9)	(43)	42	(5)
Other	(2)	(6)	(12)	(6)	(5)
EBITDA	401	558	743	1,031	1,151
Proportional share of equity affiliates' net interest, taxes and depreciation and amortization	31	45	66	101	116
Expenses indemnified or prefunded by Phillips 66	2	6	8	1	1
Transaction costs associated with acquisitions	2	4	4	4	—
EBITDA attributable to Predecessors	(151)	(142)	(67)	—	—
Adjusted EBITDA	285	471	754	1,137	1,268
Plus:					
Deferred revenue impacts*†	4	11	6	(6)	(6)
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Net interest expense	34	52	100	114	105
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* Difference between cash receipts and revenue recognition

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Non-GAAP Reconciliations

	Millions of Dollars	
	Q4 2019	Q3 2019
Net income	255	237
Plus:		
Depreciation	32	30
Net interest expense	27	25
Income tax expense	—	1
EBITDA	314	293
Proportional share of equity affiliates' net interest, taxes and depreciation and amortization	31	30
Expenses indemnified or prefunded by Phillips 66	—	—
Transaction costs associated with acquisitions	—	—
Adjusted EBITDA	345	323
Plus:		
Deferred revenue impacts*†	(2)	—
Less:		
Equity affiliate distributions less than proportional EBITDA	25	9
Maintenance capital expenditures†	28	25
Net interest expense	27	25
Preferred unit distributions	9	9
Income taxes paid	—	—
Distributable cash flow	254	255

* Difference between cash receipts and revenue recognition

† Excludes Merey Sweeny capital reimbursements and turnaround impacts

Non-GAAP Reconciliations

	Millions of Dollars	
	Q4 2019	Q3 2019
Net cash provided by operating activities	259	276
Plus:		
Net interest expense	27	25
Income tax expense	—	1
Changes in working capital	20	(9)
Undistributed equity earnings	10	(4)
Deferred revenues and other liabilities	1	2
Other	(3)	2
EBITDA	314	293
Proportional share of equity affiliates' net interest, taxes and depreciation and amortization	31	30
Expenses indemnified or prefunded by Phillips 66	—	—
Transaction costs associated with acquisitions	—	—
Adjusted EBITDA	345	323
Plus:		
Deferred revenue impacts*†	(2)	—
Less:		
Equity affiliate distributions less than proportional EBITDA	25	9
Maintenance capital expenditures†	28	25
Net interest expense	27	25
Preferred unit distributions	9	9
Income taxes paid	—	—
Distributable cash flow	254	255

* Difference between cash receipts and revenue recognition

† Excludes Merey Sweeny capital reimbursements and turnaround impacts

Non-GAAP Reconciliations

	Millions of Dollars	
	Q4 2019	2020 Budget
Capital Expenditures and Investments		
Expansion	146	734
Maintenance	28	133
Adjusted capital spending	174	867
Capital expenditures and investments funded by Gray Oak joint venture partners	1	95
Capital expenditures and investments	175	962