# NuStar Energy L.P. Reports Exceptional Fourth Quarter and Full-Year 2019 Earnings Results

February 5, 2020

***Fourth Quarter Income from Continuing Operations Up 84 Percent Over Fourth Quarter of 2018***

***Full-Year 2019 Income from Continuing Operations Up 41 Percent Over Full-Year 2018***

***Fourth Quarter 2019 Results Exceed Consensus Estimates on Earnings Per Unit and Earnings Before Interest, Taxes, Depreciation and Amortization***

***Permian Crude System Volumes Exit 2019 at 460,000 Barrels Per Day; Average 475,000 Barrels Per Day in January; Expected to Exit 2020 at Over 550,000 Barrels Per Day***

***Corpus Christi Crude System More Than Doubles Volumes Handled in 2019 and Averages 613,000 Barrels Per Day in December***

SAN ANTONIO--(BUSINESS WIRE)--Feb. 5, 2020-- **NuStar Energy L.P. (NYSE: NS)** today announced fourth quarter and full-year 2019 results that significantly exceeded results from the same periods in 2018. "Last year was, by all measures, a great year for NuStar," said NuStar President and CEO Brad Barron. "Our results, across the board, demonstrate how well our employees executed on our 2019 plan."

NuStar reported income from continuing operations of $78 million for the fourth quarter of 2019, up $35 million or 84 percent from $43 million in the fourth quarter of 2018. Income from continuing operations for the full-year 2019 was $207 million, up $61 million or 41 percent from $146 million in 2018.

Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations were $196 million for the fourth quarter of 2019, up $42 million or 27 percent from $154 million for the fourth quarter of 2018. Full-year 2019 EBITDA from continuing operations were $668 million, up $71 million or 12 percent from $597 million in 2018.

Distributable cash flow (DCF) from continuing operations available to common limited partners was $107 million for the fourth quarter of 2019, up $23 million or 28 percent compared to $84 million in the fourth quarter of 2018. Full-year 2019 DCF from continuing operations available to common limited partners was $345 million, up $41 million or 14 percent compared to $304 million in 2018.

The distribution coverage ratio to common limited partners from continuing operations was 1.64 times for the fourth quarter of 2019 and 1.33 times for the year ended December 31, 2019.

"And, thanks in large part to our successful divestiture of the Caribbean terminal facility for net proceeds of $230 million in July, we finished 2019 with a debt-to-EBITDA ratio of 3.88 times, far better than the 4.05 times at the end of the fourth quarter of 2018, which puts NuStar under 4.0 times for the third consecutive quarter," said Barron.

***2019 Capital Projects and Operational Impact***

Barron noted that in 2019, NuStar announced an expected investment of between $500 and $550 million in its capital project plan. "We not only completed all those projects on time; we also completed them under budget," he said. "In total, we spent $467 million on strategic projects, which is 11 percent below the midpoint of the capital expenditure range we announced at the beginning of 2019."

He further noted that pipeline throughput volumes grew by an impressive 23 percent to an average of 1.8 million barrels per day (BPD) in the aggregate, and that NuStar transported a record 641 million barrels in 2019.

Barron noted that growth projects in NuStar's Permian Crude System also exceeded projections. "Last year we announced that we expected to reach 450,000 BPD in 2019, and we exited the year over 460,000 BPD," he said. "And although rig counts across the Permian Basin as a whole were down 17 percent in 2019, the rig count on our acreage was up 7 percent. Similarly, while the Permian Basin's total throughput grew 18 percent in 2019, our system grew nearly twice as much, or 34 percent, in 2019."

Barron said capital investments in NuStar's Corpus Christi Crude System also led to record throughput volumes on that system. "By the end of 2019 we had more than doubled the volumes we handled at our Corpus Christi export facility, averaging 613,000 BPD of volumes in December, with over 70 percent going over the dock and the remaining 30 percent moving back up into the Corpus Christi refinery markets," he said. "Even with only a partial year's benefit from our project completion there, we handled a record total of 149 million barrels in our Corpus Christi Crude System, which includes 92 million barrels moved over our docks at our North Beach facility."

***Permian Crude System and Beyond***

"We are also off to a great start for 2020 in the Permian," Barron said. "With over 30 percent of the rigs in the Midland Basin residing on our Permian system, our throughput averaged 475,000 BPD in January, and February nominations continue to increase and have come in well ahead of our forecast. But our Permian Crude System is not the only part of our asset footprint that performed well in 2019.

"In the second quarter of 2019, we completed two strategic, low-capital expansions of our Wichita Falls crude pipeline; one to transport Permian barrels to local refiners from the Sunrise Pipeline expansion and another expansion project into Hewitt to deliver barrels to Plains for delivery into the Longview market. In August of 2019, we completed our project to connect our 16-inch South Texas crude pipeline to Cactus II and, in mid-August, we received the first shipment of Permian crude from Cactus II, the first of the three long-haul pipeline projects to transport WTI from the Permian Basin to Corpus Christi.

“September 4 was truly a banner day for NuStar as we brought three of our key 2019 pipeline projects into service in a single day. We completed the second stage of our Corpus Christi WTI export project and a new 8-mile, 30” pipeline from Taft to our Corpus Christi facility, as well as our project to double the capacity of our Valley pipeline to expand supply of refined products from Corpus Christi to the Rio Grande Valley and Northern Mexico, and phase one of our project to transport diesel from the Corpus Christi refining complex to our Nuevo Laredo terminal.

“We also had a record-breaking 2019 across our Central East Refined Products System, where we hit record numbers in December for butane blending, propane transportation and refined products movements.

"Additionally, our storage throughput volumes grew an impressive 36 percent in 2019, and we also saw solid contributions from our facility in St. James, where we expected activity at our unit train facility to ramp up from 20,000 barrels per month to 30,000 barrels per month by the end of 2019. But by year-end, our unit train activity exceeded that target, as we saw 43,000 barrels for the month in December, and we expect even higher numbers through 2020. In March, after completing a connection at our St. James facility, we also began receiving Bakken and Permian crude barrels from Bayou Bridge.

"And across our West Coast terminals, our teams executed on projects to develop the renewable fuels logistics network necessary for regional markets to achieve low-carbon fuel targets.”

***2020 Full-Year Projections Remain Unchanged***

With NuStar continuing to benefit from its 2019 capital investments and expansions, NuStar Executive Vice President and Chief Financial Officer Tom Shoaf noted that NuStar's 2020 range for full-year guidance remains unchanged. "We continue to expect NuStar’s 2020 EBITDA to be $715 to $765 million or an increase of about 11 percent at the midpoint over 2019 results from continuing operations,” he said.

| | Three Months Ended December 31, | | Year Ended December 31, | | Projected for the Year Ended December 31, 2020 |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | |
| | (thousands of dollars) | | | | |
| Income from continuing operations | $ 78,408 | $ 42,570 | $ 206,834 | $ 146,375 | $ 233,000 - 258,000 |
| (Loss) income from discontinued operations, net of tax | — | (40,444) | (312,527) | 59,419 | — |
| Net income (loss) | $ 78,408 | $ 2,126 | $ (105,693) | $ 205,794 | $ 233,000 - 258,000 |
| | | | | | |
| EBITDA from continuing operations | $ 196,407 | $ 154,128 | $ 667,582 | $ 596,822 | $ 715,000 - 765,000 |
| EBITDA from discontinued operations | — | (32,073) | (303,922) | 104,491 | — |
| Total EBITDA | 196,407 | 122,055 | 363,660 | 701,313 | 715,000 - 765,000 |
| Impairment losses and loss on sale | — | 43,366 | 340,780 | 43,366 | — |
| Gain from hurricane insurance proceeds | — | — | — | (78,756) | — |
| Adjusted EBITDA | $ 196,407 | $ 165,421 | $ 704,440 | $ 665,923 | $ 715,000 - 765,000 |

***Conference Call Details***

A conference call with management is scheduled for 9:00 a.m. CT today, February 5, 2020. The conference call may be accessed by dialing toll-free 844/889-7787, reservation passcode 3188945. International callers may access the conference call by dialing 661/378-9931, reservation passcode 3188945. The Partnership intends to have a playback available following the conference call, which may be accessed by dialing toll-free 855/859-2056, reservation passcode 3188945. International callers may access the playback by dialing 404/537-3406, reservation passcode 3188945. The playback will be available until 12:00 p.m. CT on March 6, 2020.

Investors interested in listening to the live discussion or a replay via the internet may access the discussion directly at https://edge.media-server.com/mmc/p/4sfhiy8m or by logging on to NuStar Energy L.P.’s website at www.nustarenergy.com.

The discussion will disclose certain non-GAAP financial measures. Reconciliations of certain of these non-GAAP financial measures to U.S. GAAP may be found in this press release, with additional reconciliations located on the Financials page of the Investors section of NuStar Energy L.P.’s website at www.nustarenergy.com.

NuStar Energy L.P., a publicly traded master limited partnership based in San Antonio, is one of the largest independent liquids terminal and pipeline operators in the nation. NuStar currently has approximately 9,900 miles of pipeline and 74 terminal and storage facilities that store and distribute crude oil, refined products and specialty liquids. The partnership’s combined system has approximately 74 million barrels of storage capacity, and NuStar has operations in the United States, Canada and Mexico. For more information, visit NuStar Energy L.P.’s website at www.nustarenergy.com.

***Cautionary Statement Regarding Forward-Looking Statements***

*This press release includes, and the related conference call will include, forward-looking statements regarding future events, such as the partnership’s future performance. All forward-looking statements are based on the partnership’s beliefs as well as assumptions made by and information currently available to the partnership. These statements reflect the partnership’s current views with respect to future events and are subject to various risks, uncertainties and assumptions. These risks, uncertainties and assumptions are discussed in NuStar Energy L.P.’s 2018 annual report on Form 10-K and subsequent filings with the Securities and Exchange Commission. Actual results may differ materially from those described in the forward-looking statements.*

**NuStar Energy L.P. and Subsidiaries**
**Consolidated Financial Information**
**(Unaudited, Thousands of Dollars, Except Unit, Per Unit and Ratio Data)**

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Statement of Income Data:** | | | | |
| Revenues: | | | | |
| Service revenues | $ 317,410 | $ 267,193 | $ 1,148,167 | $ 1,045,130 |
| Product sales | 82,284 | 106,944 | 349,854 | 475,132 |
| Total revenues | 399,694 | 374,137 | 1,498,021 | 1,520,262 |
| Costs and expenses: | | | | |
| Costs associated with service revenues: | | | | |
| Operating expenses | 107,324 | 95,481 | 404,682 | 378,962 |
| Depreciation and amortization expense | 68,423 | 63,576 | 264,564 | 247,288 |
| Total costs associated with service revenues | 175,747 | 159,057 | 669,246 | 626,250 |
| Cost of product sales | 68,193 | 97,266 | 321,644 | 449,613 |
| General and administrative expenses | 29,492 | 28,916 | 107,855 | 100,067 |
| Other depreciation and amortization expense | 2,206 | 2,215 | 8,360 | 8,604 |
| Total costs and expenses | 275,638 | 287,454 | 1,107,105 | 1,184,534 |
| Operating income | 124,056 | 86,683 | 390,916 | 335,728 |
| Interest expense, net | (46,184) | (44,307) | (183,070) | (184,398) |
| Other income, net | 1,722 | 1,654 | 3,742 | 5,202 |
| Income from continuing operations before income tax expense | 79,594 | 44,030 | 211,588 | 156,532 |
| Income tax expense | 1,186 | 1,460 | 4,754 | 10,157 |
| Income from continuing operations | 78,408 | 42,570 | 206,834 | 146,375 |
| (Loss) income from discontinued operations, net of tax | — | (40,444) | (312,527) | 59,419 |
| Net income (loss) | $ 78,408 | $ 2,126 | $ (105,693) | $ 205,794 |
| | | | | |
| **Basic and diluted net income (loss) per common unit:** | | | | |
| Continuing operations | $ 0.40 | $ 0.07 | $ 0.60 | $ (3.34) |
| Discontinued operations | — | (0.38) | (2.90) | 0.57 |
| Total net income (loss) per common unit | $ 0.40 | $ (0.31) | $ (2.30) | $ (2.77) |
| | | | | |
| Basic weighted-average common units outstanding | 108,091,736 | 107,117,562 | 107,789,030 | 99,490,495 |
| | | | | |
| **Other Data (Note 1):** | | | | |
| EBITDA from continuing operations | $ 196,407 | $ 154,128 | $ 667,582 | $ 596,822 |
| DCF from continuing operations available to common limited partners | $ 107,119 | $ 83,802 | $ 345,278 | $ 303,675 |
| Distribution coverage ratio from continuing operations | 1.64x | 1.30x | 1.33x | 1.22x |
| Consolidated Debt Coverage Ratio | n/a | n/a | 3.88x | 4.05x |

**NuStar Energy L.P. and Subsidiaries**
**Consolidated Financial Information - Continued**
**(Unaudited, Thousands of Dollars, Except Barrel Data)**

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Pipeline:** | | | | |
| Crude oil pipelines throughput (barrels/day) | 1,462,784 | 959,041 | 1,198,813 | 876,655 |
| Refined products and ammonia pipelines throughput (barrels/day) | 601,505 | 562,773 | 557,532 | 557,044 |
| Total throughput (barrels/day) | 2,064,289 | 1,521,814 | 1,756,345 | 1,433,699 |
| Throughput and other revenues | $ 193,913 | $ 161,156 | $ 701,830 | $ 611,065 |
| Operating expenses | 51,922 | 46,348 | 202,359 | 184,427 |
| Depreciation and amortization expense | 43,345 | 39,907 | 166,991 | 153,943 |
| Segment operating income | $ 98,646 | $ 74,901 | $ 332,480 | $ 272,695 |
| **Storage:** | | | | |
| Throughput (barrels/day) | 656,000 | 354,567 | 464,571 | 341,396 |
| Throughput terminal revenues | $ 43,054 | $ 21,857 | $ 114,243 | $ 83,157 |

| | | | | |
|---|---|---|---|---|
| Storage terminal revenues | 83,309 | 85,514 | 339,758 | 360,431 |
| Total revenues | 126,363 | 107,371 | 454,001 | 443,588 |
| Operating expenses | 55,402 | 49,133 | 202,323 | 194,535 |
| Depreciation and amortization expense | 25,078 | 23,669 | 97,573 | 93,345 |
| Segment operating income | $ 45,883 | $ 34,569 | $ 154,105 | $ 155,708 |
| **Fuels Marketing:** | | | | |
| Product sales | $ 79,439 | $ 105,628 | $ 342,215 | $ 465,651 |
| Cost of goods | 67,520 | 96,696 | 318,869 | 446,707 |
| Gross margin | 11,919 | 8,932 | 23,346 | 18,944 |
| Operating expenses | 694 | 620 | 2,768 | 2,980 |
| Segment operating income | $ 11,225 | $ 8,312 | $ 20,578 | $ 15,964 |
| **Consolidation and Intersegment Eliminations:** | | | | |
| Revenues | $ (21) | $ (18) | $ (25) | $ (42) |
| Cost of goods | (21) | (50) | 7 | (74) |
| Total | $ — | $ 32 | $ (32) | $ 32 |
| **Consolidated Information:** | | | | |
| Revenues | $ 399,694 | $ 374,137 | $ 1,498,021 | $ 1,520,262 |
| Costs associated with service revenues: | | | | |
| Operating expenses | 107,324 | 95,481 | 404,682 | 378,962 |
| Depreciation and amortization expense | 68,423 | 63,576 | 264,564 | 247,288 |
| Total costs associated with service revenues | 175,747 | 159,057 | 669,246 | 626,250 |
| Cost of product sales | 68,193 | 97,266 | 321,644 | 449,613 |
| Segment operating income | 155,754 | 117,814 | 507,131 | 444,399 |
| General and administrative expenses | 29,492 | 28,916 | 107,855 | 100,067 |
| Other depreciation and amortization expense | 2,206 | 2,215 | 8,360 | 8,604 |
| Consolidated operating income | $ 124,056 | $ 86,683 | $ 390,916 | $ 335,728 |

**NuStar Energy L.P. and Subsidiaries**
**Consolidated Financial Information - Continued**
**(Unaudited, Thousands of Dollars, Except Ratio Data)**

**Note 1:** NuStar Energy L.P. utilizes financial measures, such as earnings before interest, taxes, depreciation and amortization (EBITDA), distributable cash flow (DCF) and distribution coverage ratio, which are not defined in U.S. generally accepted accounting principles (GAAP). Management believes these financial measures provide useful information to investors and other external users of our financial information because (i) they provide additional information about the operating performance of the partnership's assets and the cash the business is generating, (ii) investors and other external users of our financial statements benefit from having access to the same financial measures being utilized by management and our board of directors when making financial, operational, compensation and planning decisions and (iii) they highlight the impact of significant transactions. We may also adjust these measures or calculate them based on continuing operations, to enhance the comparability of our performance across periods.

Our board of directors and management use EBITDA and/or DCF when assessing the following: (i) the performance of our assets, (ii) the viability of potential projects, (iii) our ability to fund distributions, (iv) our ability to fund capital expenditures and (v) our ability to service debt. In addition, our board of directors uses EBITDA, DCF and a distribution coverage ratio, which is calculated based on DCF, as some of the factors in its compensation determinations. DCF is a widely accepted financial indicator used by the master limited partnership (MLP) investment community to compare partnership performance. DCF is used by the MLP investment community, in part, because the value of a partnership unit is partially based on its yield, and its yield is based on the cash distributions a partnership can pay its unitholders.

None of these financial measures are presented as an alternative to net income, or for any periods presented reflecting discontinued operations, income from continuing operations. They should not be considered in isolation or as substitutes for a measure of performance prepared in accordance with GAAP.

The following is a reconciliation of income from continuing operations to EBITDA from continuing operations, DCF from continuing operations and distribution coverage ratio from continuing operations.

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Income from continuing operations | $ 78,408 | $ 42,570 | $ 206,834 | $ 146,375 |
| Interest expense, net | 46,184 | 44,307 | 183,070 | 184,398 |
| Income tax expense | 1,186 | 1,460 | 4,754 | 10,157 |
| Depreciation and amortization expense | 70,629 | 65,791 | 272,924 | 255,892 |
| EBITDA from continuing operations | 196,407 | 154,128 | 667,582 | 596,822 |
| Interest expense, net | (46,184) | (44,307) | (183,070) | (184,398) |
| Reliability capital expenditures | (23,213) | (8,954) | (43,598) | (26,986) |

| | | | | |
|---|---|---|---|---|
| Income tax expense | (1,186) | (1,460) | (4,754) | (10,157) |
| Long-term incentive equity awards (a) | 3,743 | 2,892 | 11,389 | 8,650 |
| Preferred unit distributions | (30,424) | (30,424) | (121,693) | (92,540) |
| Other items | 7,976 | 11,927 | 19,422 | 13,425 |
| DCF from continuing operations | $ 107,119 | $ 83,802 | $ 345,278 | $ 304,816 |
| Less DCF from continuing operations available to general partner | — | — | — | 1,141 |
| DCF from continuing operations available to common limited partners | $ 107,119 | $ 83,802 | $ 345,278 | $ 303,675 |
| | | | | |
| Distributions applicable to common limited partners | $ 65,128 | $ 64,336 | $ 259,136 | $ 248,705 |
| Distribution coverage ratio from continuing operations (b) | 1.64x | 1.30x | 1.33x | 1.22x |

(a) We intend to satisfy the vestings of these equity-based awards with the issuance of our common units. As such, the expenses related to these awards are considered non-cash and added back to DCF. Certain awards include distribution equivalent rights (DERs). Payments made in connection with DERs are deducted from DCF.

(b) Distribution coverage ratio is calculated by dividing DCF available to common limited partners by distributions applicable to common limited partners.

**NuStar Energy L.P. and Subsidiaries**
**Consolidated Financial Information - Continued**
**(Unaudited, Thousands of Dollars)**

The following is a reconciliation of net income (loss) to EBITDA and adjusted EBITDA; therefore, the reconciling items include activity from continuing and discontinued operations on a combined basis.

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net income (loss) | $ 78,408 | $ 2,126 | $ (105,693) | $ 205,794 |
| Interest expense, net | 46,184 | 44,704 | 183,038 | 186,237 |
| Income tax expense | 1,186 | 930 | 4,855 | 11,408 |
| Depreciation and amortization expense | 70,629 | 74,295 | 281,460 | 297,874 |
| EBITDA | 196,407 | 122,055 | 363,660 | 701,313 |
| Impairment losses and loss on sale (a) | — | 43,366 | 340,780 | 43,366 |
| Gain from hurricane insurance proceeds (b) | — | — | — | (78,756) |
| Adjusted EBITDA | $ 196,407 | $ 165,421 | $ 704,440 | $ 665,923 |

(a) Represents non-cash impairment losses associated with long-lived assets and goodwill at our St. Eustatius terminal, as well as the losses on the sales of the St. Eustatius terminal in September 2019 and the European operations in November 2018.

(b) Represents the gain for insurance proceeds received related to hurricane damage at our St. Eustatius terminal.

The following is a reconciliation of net income to EBITDA.

| | Projected for the Year Ended December 31, 2020 |
|---|---|
| Net income | $ 233,000 - 258,000 |
| Interest expense, net | 190,000 - 200,000 |
| Income tax expense | 2,000 - 7,000 |
| Depreciation and amortization expense | 290,000 - 300,000 |
| EBITDA | $ 715,000 - 765,000 |

**NuStar Energy L.P. and Subsidiaries**
**Consolidated Financial Information - Continued**
**(Unaudited, Thousands of Dollars, Except Ratio Data)**

The following is the reconciliation for the calculation of our Consolidated Debt Coverage Ratio, as defined in our revolving credit agreement (the Revolving Credit Agreement). The reconciliation of net (loss) income to EBITDA includes reconciling items from continuing and discontinued operations on a combined basis.

| | Year Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net (loss) income | $ (105,693) | $ 205,794 |
| Interest expense, net | 183,038 | 186,237 |
| Income tax expense | 4,855 | 11,408 |

| | | |
|---|---|---|
| Depreciation and amortization expense | 281,460 | 297,874 |
| EBITDA | 363,660 | 701,313 |
| Other income (a) | (3,742) | (39,876) |
| Equity awards (b) | 13,753 | 10,646 |
| Pro forma effect of dispositions (c) | 303,922 | (20,458) |
| Material project adjustments and other items (d) | 74,681 | 14,258 |
| Consolidated EBITDA, as defined in the Revolving Credit Agreement | $ 752,274 | $ 665,883 |
| | | |
| Total consolidated debt | $ 3,360,640 | $ 3,143,240 |
| NuStar Logistics' floating rate subordinated notes | (402,500) | (402,500) |
| Proceeds held in escrow associated with the Gulf Opportunity Zone Revenue Bonds | (41,476) | (41,476) |
| Consolidated Debt, as defined in the Revolving Credit Agreement | $ 2,916,664 | $ 2,699,264 |
| | | |
| Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA) | 3.88x | 4.05x |

(a) Other income is excluded for purposes of calculating Consolidated EBITDA, as defined in the Revolving Credit Agreement.

(b) This adjustment represents the non-cash expense related to the vestings of equity-based awards with the issuance of our common units.

(c) This adjustment represents the pro forma effects of dispositions, as if we had completed the sale of the St. Eustatius operations on January 1, 2019 and the sale of the European operations on January 1, 2018.

(d) This adjustment represents a percentage of the projected Consolidated EBITDA attributable to any Material Project and other noncash items, as defined in the Revolving Credit Agreement.

View source version on businesswire.com: https://www.businesswire.com/news/home/20200205005234/en/

Source: NuStar Energy L.P.

NuStar Energy, L.P., San Antonio
Investors, Tim Delagarza, Manager, Investor Relations
Investor Relations: 210-918-INVR (4687)
or
Media, Mary Rose Brown, Executive Vice President and Chief Administrative Officer,
Corporate Communications: 210-918-2314
website: http://www.nustarenergy.com