



Shell Midstream Partners, L.P. (SHLX) Q1 2018 Results

May 3, 2018

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This presentation includes various “forward-looking statements” within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning management’s expectations, beliefs, estimates, forecasts, projections and assumptions. You can identify our forward-looking statements by words such as “anticipate”, “believe”, “estimate”, “budget,” “continue,” “potential,” “guidance,” “effort,” “expect”, “forecast”, “goals”, “objectives”, “outlook”, “intend”, “plan”, “predict”, “project”, “seek”, “target”, “begin”, “could”, “may”, “should” or “would” or other similar expressions that convey the uncertainty of future events or outcomes. In accordance with “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, which could cause future outcomes to differ materially from those set forth in forward-looking statements. In particular, expressed or implied statements concerning future actions, future drop downs, volumes, capital requirements, conditions or events, future impact of prior acquisitions, future operating results or the ability to generate sales, the potential exposure of Shell Midstream Partners, L.P. (the “Partnership”) to market risks, and statements relating to expected EBITDA, future growth, income, cash flow and the amount of distributions are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Forward-looking statements speak only as of the date of this presentation, May 3, 2018, and we disclaim any obligation to update such statements for any reason, except as required by law. All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this paragraph. Many of the factors that will determine these results are beyond our ability to control or predict. More information on these risks and other potential factors that could affect the Partnership’s financial results is included in the Partnership’s filings with the U.S. Securities and Exchange Commission, including in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of the Partnership’s most recently filed periodic reports on Form 10-K and subsequent filings. If any of those risks occur, it could cause our actual results to differ materially from those contained in any forward-looking statement. Because of these risks and uncertainties, you should not place undue reliance on any forward-looking statement.



Summary

- Zydeco integrity work completed
 - Within expected timeline and Q1 guidance
 - System returned to normal operations in March
- Q1 2018 financial performance higher than expected
 - One-time dividend + insurance recovery
 - Excluding one-time items, Net Income and Adjusted EBITDA up 15% and 10% from prior quarter
- No material impact expected from FERC policy revision
 - No “cost-of-service” rates
 - Two-thirds of CAFD non-FERC jurisdictional or owned by a C-corp



FERC Policy Revision

No material impact expected to Shell Midstream Partners

Non- FERC Jurisdictional Assets

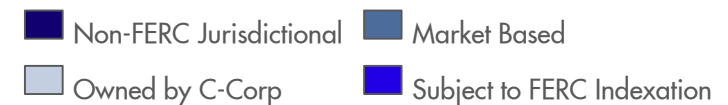
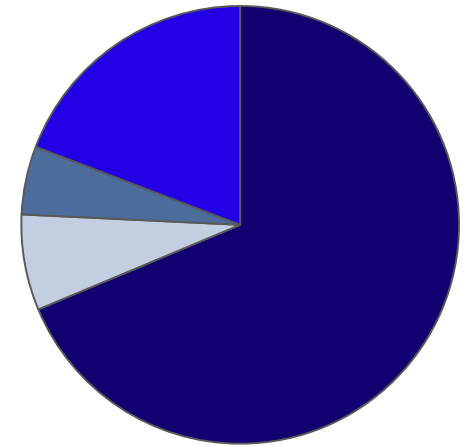
- Auger
- Cleopatra
- Crude Terminal
- Delta
- Endymion
- Mars (Offshore Leg)
- Na Kika
- Odyssey
- Poseidon
- Proteus
- Permian Gas Gathering
- Refined Products
- Terminals
- Refinery Gas Pipelines

FERC Regulated Assets –Owned through a Corporate Entity

- Explorer
- Colonial

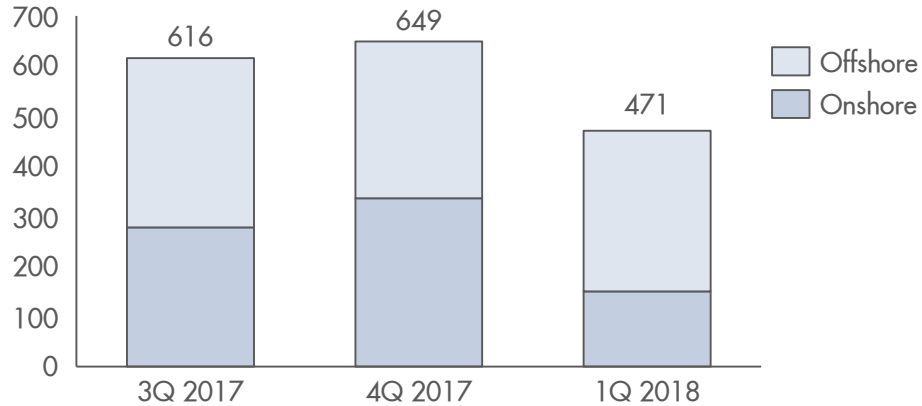
No cost of service rates, two-thirds of CAFD non-FERC Jurisdictional or owned by a C-Corp

Total CAFD by Rate Making Methodology

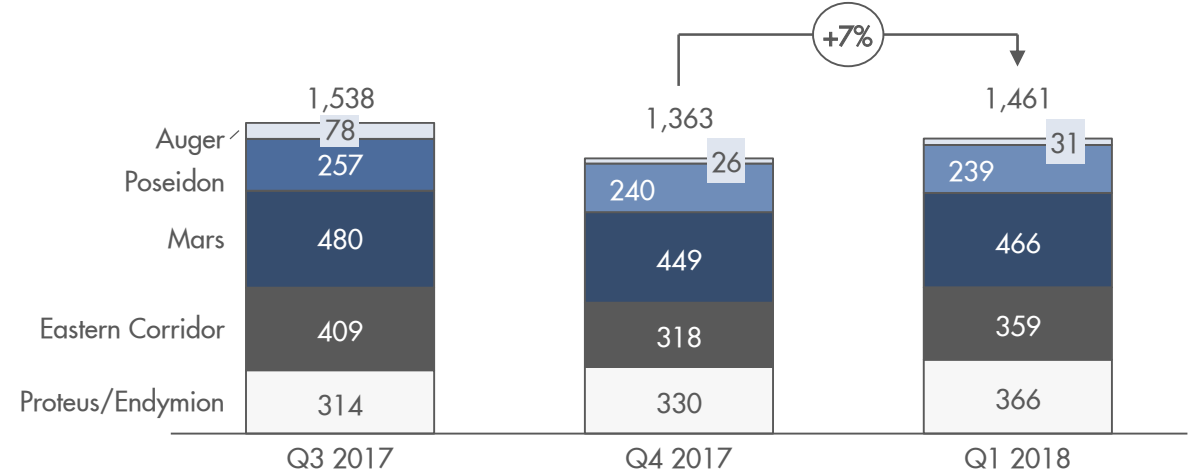


Operational Results

Zydeco Mainline Throughput Volume, kbpd



Offshore Throughput Volume, kbpd



Operational Highlights

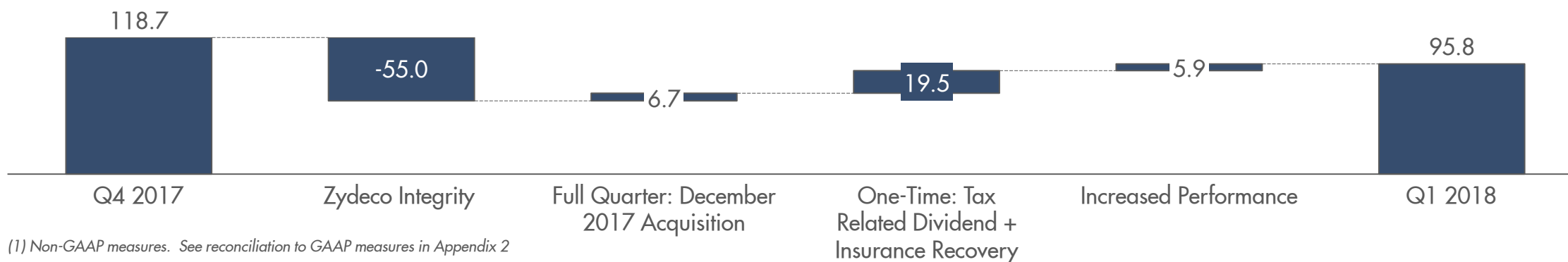
- Onshore: largely driven by Zydeco integrity test
 - 49-day outage as planned, returned to service in March
- Offshore: volume slightly higher largely due to Eastern Corridor volume recovery
- Terminals & Storage: steady performance backed by long-term contracts with Shell



Financial Results from Operations

(\$ million)	Three Months Ended	
	March 31, 2018	December 31, 2017
Revenue	99.6	126.8
Cost and Expenses	94.7	70.3
Operating Income	4.9	56.5
Income from Equity Investments	40.2	46.1
Dividend Income	24.9	10.2
Net Income	64.8	102.5
Net Income Attributable to SHLX	64.0	86.4
Adjusted EBITDA Attributable to SHLX ⁽¹⁾	95.8	118.7
Cash Available for Distribution ⁽¹⁾	80.1	97.0

Adjusted EBITDA Q4 2017 versus Q1 2018



(1) Non-GAAP measures. See reconciliation to GAAP measures in Appendix 2



Non-GAAP Financial Metrics

(\$ million except per unit amount)	Three Months Ended	
	March 31, 2018	December 31, 2017
Adjusted EBITDA Attributable to SHLX ⁽¹⁾	95.8	118.7
Less:		
Net Interest Paid	10.6	10.3
Maintenance Capital Attributable to SHLX	7.7	6.6
Plus:		
Adjustments from Minimum Volume Commitments	(1.8)	(7.3)
Reimbursements from Parent included in Partners Capital	4.4	2.5
Cash Available for Distribution Attributable to SHLX ⁽¹⁾	80.1	97.0
Total Cash Distribution Declared	105.7	83.1
Cash Distribution per LP Unit	0.348	0.333
Coverage Ratio ⁽²⁾	0.8x	1.2x

(1) Non-GAAP measures. See reconciliation to GAAP measures in Appendix 2.

(2) Coverage Ratio is equal to Cash Available for Distribution Attributable to SHLX divided by Total Cash Distribution Declared.



Balance Sheet and Liquidity

(\$ million)	As of March 31, 2018
Cash and Cash Equivalents	184.7
Total Debt Outstanding	871.3
Total Credit Facility Capacity (Inc. Zydeco)	2,390
Liquidity Available	1,516



Questions and Answers

For further questions, please contact
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Q&A





Appendix 1 – Non-GAAP Financial Measures

This presentation includes the terms Adjusted EBITDA and cash available for distribution. Adjusted EBITDA and cash available for distribution are non-GAAP supplemental financial measures that management and external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess:

- our operating performance as compared to other publicly traded partnerships in the midstream energy industry, without regard to historical cost basis or, in the case of Adjusted EBITDA, financing methods;*
- the ability of our business to generate sufficient cash to support our decision to make distributions to our unitholders;*
- our ability to incur and service debt and fund capital expenditures; and*
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.*

We believe that the presentation of Adjusted EBITDA and cash available for distribution provides useful information to management and investors in assessing our financial condition and results of operations. The GAAP measures most directly comparable to Adjusted EBITDA and cash available for distribution are net income and net cash provided by operating activities. These non-GAAP measures should not be considered as alternatives to GAAP net income or net cash provided by operating activities. Adjusted EBITDA and cash available for distribution have important limitations as analytical tools because they exclude some but not all items that affect net income and net cash provided by operating activities. They should not be considered in isolation or as substitutes for analysis of our results as reported under GAAP. Additionally, because Adjusted EBITDA and cash available for distribution may be defined differently by other companies in our industry, our definition of Adjusted EBITDA and cash available for distribution may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

References in this presentation to Adjusted EBITDA refer to net income before income taxes, net interest expense, gain or loss from disposition of fixed assets, allowance oil reduction to net realizable value, and depreciation, accretion and amortization, plus cash distributed to Shell Midstream Partners, L.P. from equity investments for the applicable period, less income from equity investments. We define Adjusted EBITDA attributable to Shell Midstream Partners, L.P. as Adjusted EBITDA less Adjusted EBITDA attributable to noncontrolling interests and Adjusted EBITDA attributable to Parent. References to cash available for distribution refer to Adjusted EBITDA attributable to Shell Midstream Partners, L.P., less maintenance capital expenditures attributable to Shell Midstream Partners, L.P., net interest paid, cash reserves and income taxes paid, plus net adjustments from volume deficiency payments attributable to Shell Midstream Partners, L.P. and certain one-time payments not received in net income. Cash available for distribution will not reflect changes in working capital balances.



Appendix 2

Reconciliation of Adjusted EBITDA and Cash Available for Distribution to Net Income

(in millions of dollars)	For the Three Months Ended	
	March 31, 2018	December 31, 2017
Net income	\$ 64.8	\$ 102.5
Add:		
Loss from disposition of fixed assets	—	0.1
Depreciation, amortization and accretion	11.4	11.7
Interest expense, net	10.6	10.2
Income tax expense	—	0.1
Cash distribution received from equity investments	51.1	52.1
Less:		
Equity method distributions included in other income	0.7	—
Income from equity investments	40.2	46.1
Adjusted EBITDA	97.0	130.6
Less:		
Adjusted EBITDA attributable to Parent	—	6.6
Adjusted EBITDA attributable to noncontrolling interests	1.2	5.3
Adjusted EBITDA attributable to the Partnership	95.8	118.7
Less:		
Net interest paid attributable to the Partnership ⁽¹⁾	10.6	10.3
Maintenance capex attributable to the Partnership	7.7	6.6
Add:		
Net adjustments from volume deficiency payments attributable to the Partnership	(1.8)	(7.3)
Reimbursements from Parent included in partners' capital	4.4	2.5
Cash Available for Distribution Attributable to the Partnership	\$ 80.1	\$ 97.0

⁽¹⁾ Amount represents both paid and accrued interest attributable to the period.

