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## Shell Midstream Partners, L.P. (SHLX) Q3 2018 Results

November 2, 2018

## Definitions and Cautionary Note

*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, November 2, 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

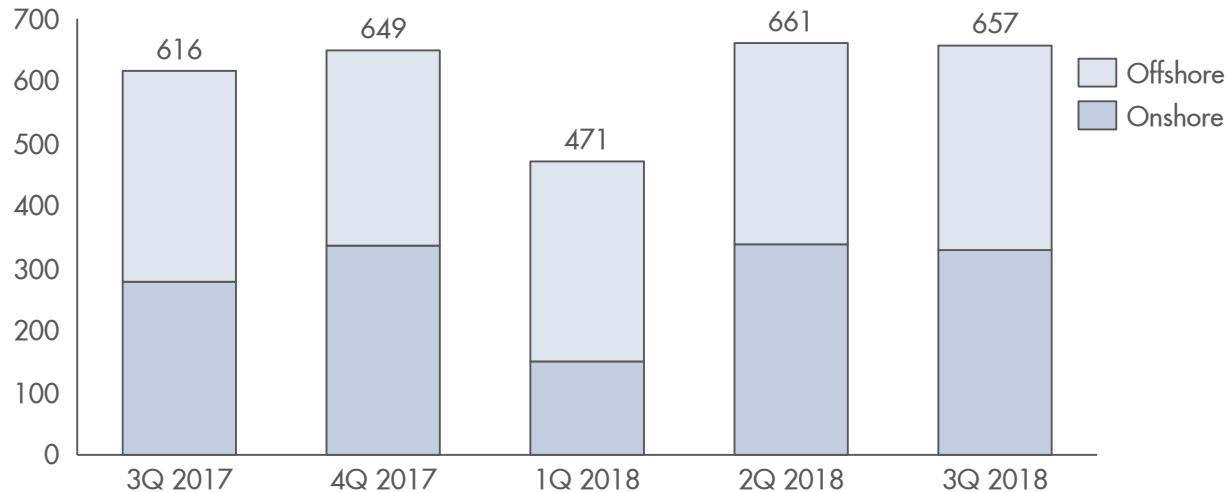
- Q3 2018 financial performance: Base Business Performing Well
  - Adjusted EBITDA \$187 million, up ~20%, CAFD ~\$164 million, up ~20%<sup>(1)</sup> Current leverage ratios allow full flexibility to grow in line with guidance
- Gulf of Mexico: Organic Growth and Return to Normal Producer Operations
  - Amberjack volumes are growing as expected
  - Mars and Eastern Corridor volumes are up due to Olympus, Ursa, Crown and Anchor and new tiebacks
  - Mars Platform turnaround complete, Auger and Odyssey back to normal run rates as fields have come online after unplanned maintenance
- Supportive Sponsor as shown by anticipated 2019 IDR Waiver
  - Waiver of IDR growth for 2019 equaling ~\$50 million
  - Frees up cash for growth and reinvestment

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

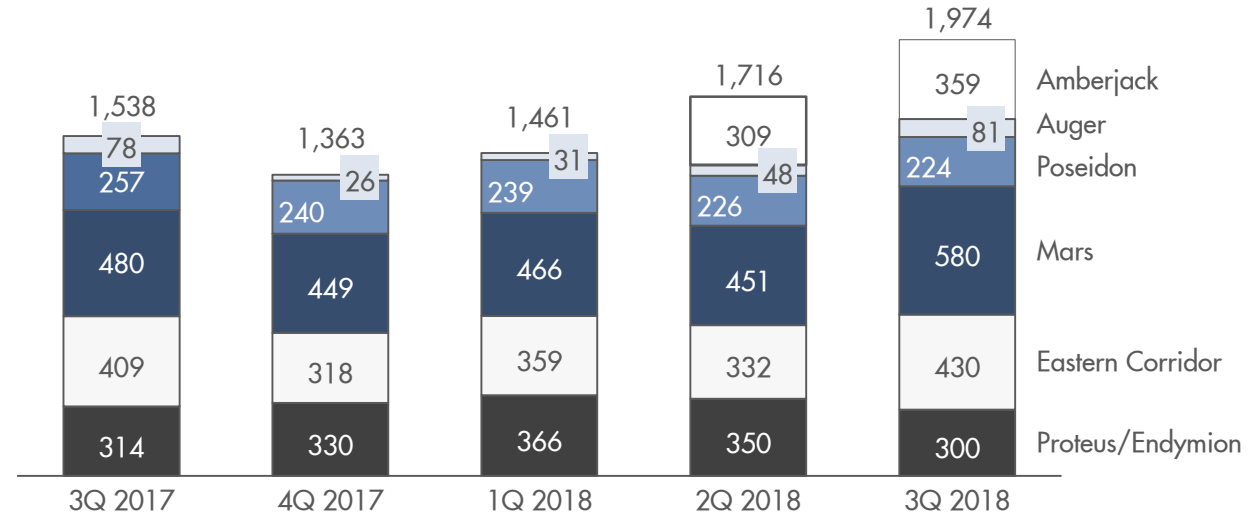


# Operational Results

Zydeco Mainline Throughput Volume, kbpd



Offshore Throughput Volume, kbpd



## Operational Highlights

- Onshore: Continued strong demand on the system
- Offshore: Organic growth on Amberjack and Eastern Corridor coupled with return to normal producer operations
- Terminals & Storage: Steady performance backed by long-term contracts with Shell



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## Zydeco Recontracting

- Market dynamics are evolving while still seeing robust demand on the system
- Fundamentals Driving Demand
  - Growing Permian production into Houston
  - Constraints and lack of evacuation capacity out of Houston
  - Strong refinery demand in Louisiana for light barrels
- Competitive while providing one of the best systems for connecting sources of crude to destinations



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## Anticipated 2019 IDR Growth Waiver

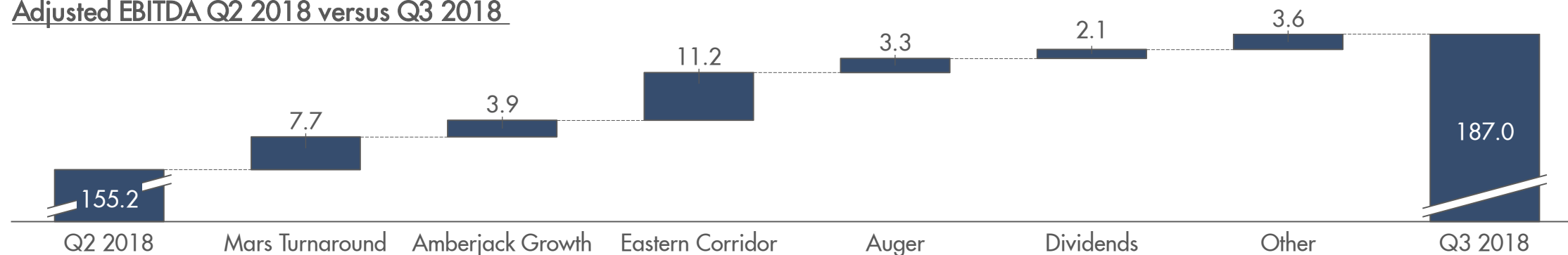
- Shell Midstream Partners and our sponsor expect to reach agreement in near term to waive 2019 IDR Growth
- IDR's for 2019 would be capped at approximately Q4 2018 levels
- 2019 IDR Waiver approximately \$50 million
- The waiver would position the partnership for growth and future investment
- Reaffirm guidance of 20% distribution growth for 2018 and mid-teens for 2019



# Financial Results from Operations

(\$ million)	Three Months Ended	
	September 30, 2018	June 30, 2018
Revenue	153.5	129.3
Cost and Expenses	75.6	72.6
Operating Income	77.9	56.7
Income from Equity Method Investments	72.7	48.4
Dividend Income	14.9	12.8
Net Income	154.2	115.4
Net Income Attributable to SHLX	148.3	110.7
Adjusted EBITDA Attributable to SHLX <sup>(1)</sup>	187.0	155.2
Cash Available for Distribution <sup>(1)</sup>	163.5	136.6

## Adjusted EBITDA Q2 2018 versus Q3 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	
	September 30, 2018	June 30, 2018
Adjusted EBITDA Attributable to SHLX <sup>(1)</sup>	187.0	155.2
Less:		
Net Interest and Income Taxes Paid	19.0	13.3
Maintenance Capital Attributable to SHLX	4.8	5.7
Plus:		
Adjustments from Minimum Volume Commitments	(0.8)	(1.3)
Reimbursements from Parent included in Partners Capital	1.1	1.7
Cash Available for Distribution Attributable to SHLX <sup>(1)</sup>	163.5	136.6
Total Cash Distribution Declared	121.0	113.4
Cash Distribution per LP Unit	0.382	0.365
Coverage Ratio <sup>(2)</sup>	1.4x	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 September 30, 2018
Cash and Cash Equivalents	199.5
Total Debt Outstanding	2,090.5
Total Credit Facility Capacity (Inc. Zydeco)	2,990.0



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# 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	
	September 30, 2018	June 30, 2018
Net income	\$ 154.2	\$ 115.4
Add:		
Depreciation, amortization and accretion	11.6	11.4
Interest expense, net	19.0	13.3
Income tax expense	0.1	0.1
Cash distribution received from equity method investments	88.9	77.4
Less:		
Equity method distributions included in other income	7.8	8.9
Income from equity method investments	72.7	48.4
Adjusted EBITDA	193.3	160.3
Less:		
Adjusted EBITDA attributable to noncontrolling interests	6.3	5.1
Adjusted EBITDA attributable to the Partnership	187.0	155.2
Less:		
Net interest paid attributable to the Partnership <sup>(1)</sup>	18.9	13.2
Income taxes paid attributable to the Partnership	0.1	0.1
Maintenance capex attributable to the Partnership	4.8	5.7
Add:		
Net adjustments from volume deficiency payments attributable to the Partnership	(0.8)	(1.3)
Reimbursements from Parent included in partners' capital	1.1	1.7
Cash Available for Distribution Attributable to the Partnership	\$ 163.5	\$ 136.6

<sup>(1)</sup> Amount represents both paid and accrued interest attributable to the period.

