



# Evercore ISI Energy Summit

*Houston  
March 7, 2017*

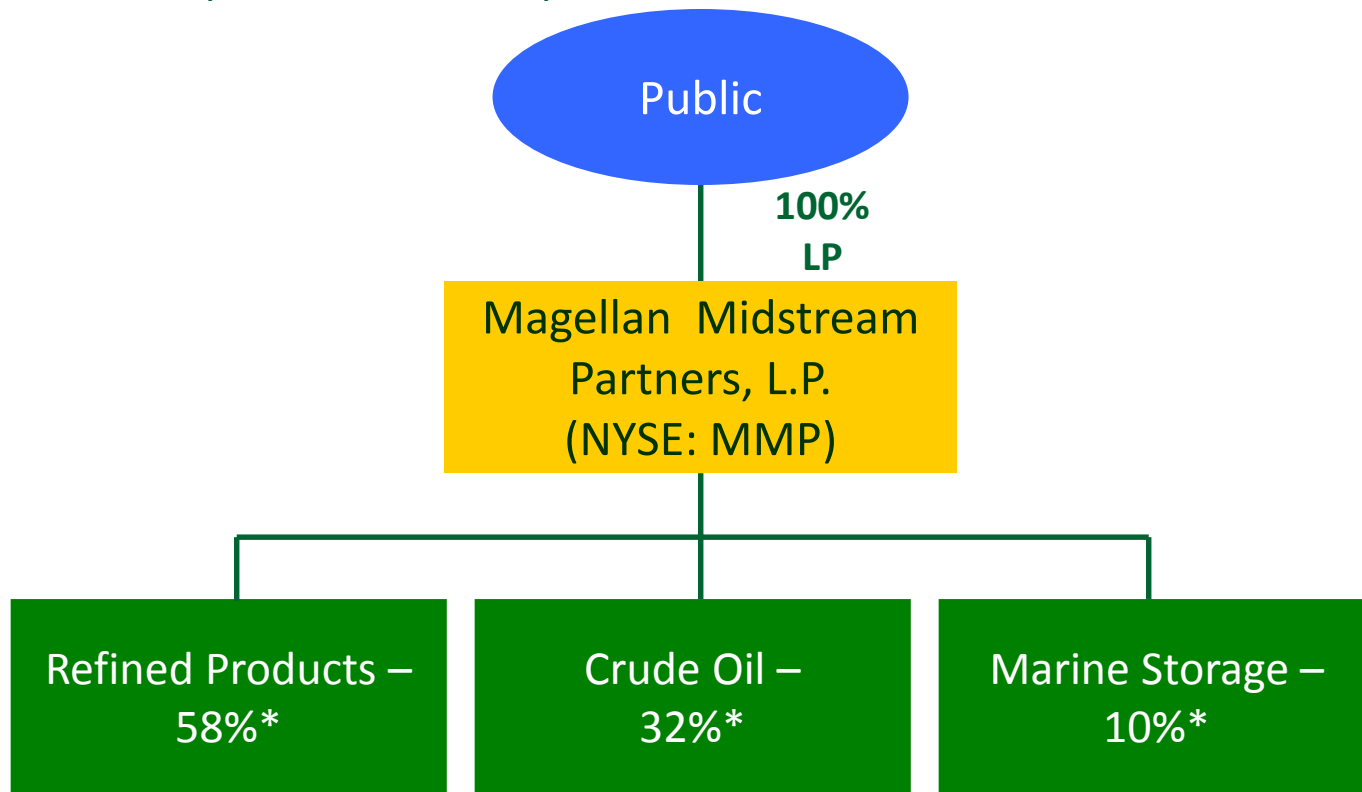


# Forward-Looking Statements

Portions of this document constitute forward-looking statements as defined by federal law. Although management believes any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. Among the key risk factors that may have a direct impact on the partnership's results of operations and financial condition are: (1) its ability to identify growth projects and to complete identified projects on time and at expected costs; (2) price fluctuations and changes in demand for refined petroleum products, crude oil and natural gas liquids, or changes in demand for transportation, storage, blending or processing of those commodities through its existing or planned facilities; (3) changes in the partnership's tariff rates or other terms imposed by state or federal regulatory agencies; (4) shut-downs or cutbacks at refineries or other businesses that use or supply the partnership's services; (5) changes in the throughput or interruption in service on pipelines or other facilities owned and operated by third parties and connected to the partnership's terminals, pipelines or other facilities; (6) the occurrence of operational hazards or unforeseen interruptions; (7) the treatment of the partnership as a corporation for federal or state income tax purposes or the partnership becoming subject to significant forms of other taxation; (8) an increase in the competition the partnership's operations encounter; (9) disruption in the debt and equity markets that negatively impacts the partnership's ability to finance its capital spending and (10) failure of customers to meet or continue contractual obligations to the partnership. Additional information about issues that could lead to material changes in performance is contained in the partnership's filings with the Securities and Exchange Commission, including the partnership's Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2016. Forward-looking statements made by the partnership in this presentation are based only on information currently known, and the partnership undertakes no obligation to revise its forward-looking statements to reflect events or circumstances learned of or occurring after today's date.

# Straight-Forward Business Model

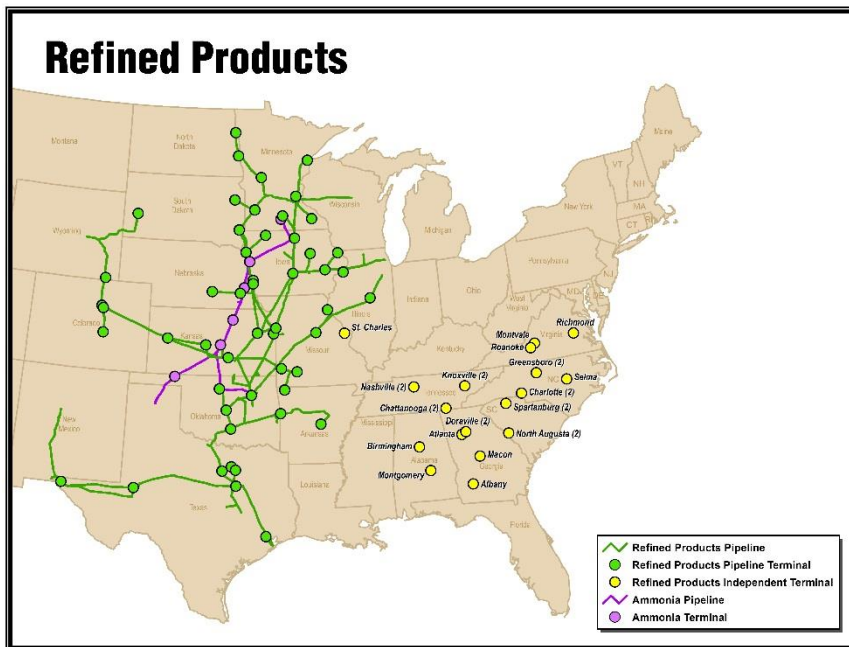
- Investment grade MLP with no incentive distribution rights
  - Provides MMP a simple organizational structure and one of the lowest costs of capital in the MLP space



\* Percentage of 2016 operating margin

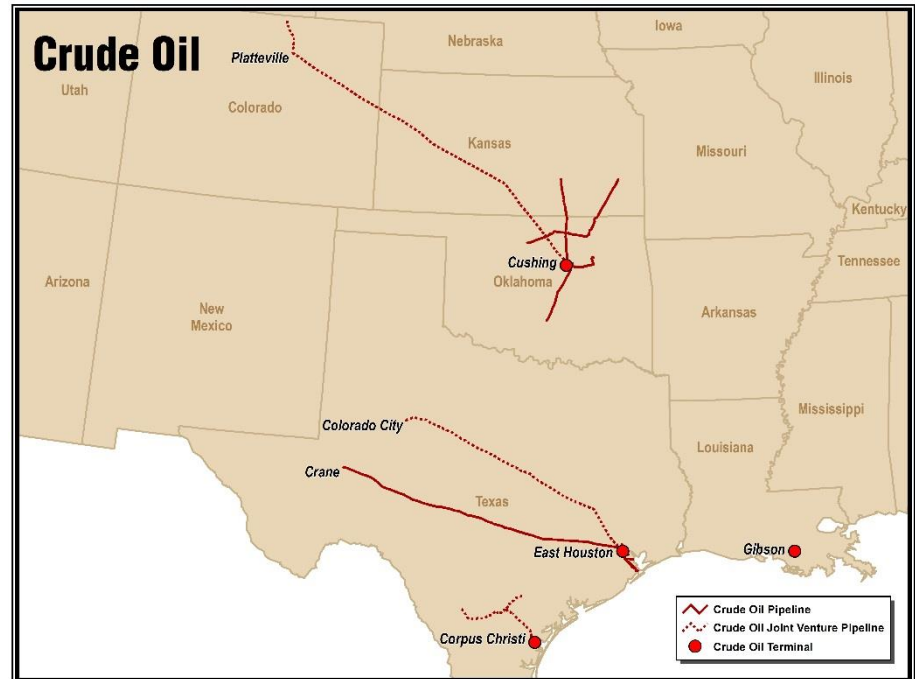
# Refined Products

- Longest refined products pipeline system, primarily transporting gasoline and diesel fuel, with 9,700 miles, 53 terminals and 42mm barrels of storage
- Profit driven by throughput volume and tariffs
  - Tariff changes related to Producer Price Index; increased tariffs by 4.6% in mid-2015 and average 2% increase in mid-2016
- Strong competitive position and stable business platform due to breadth of system (can access nearly 50% of refining capacity) and independent service provider model



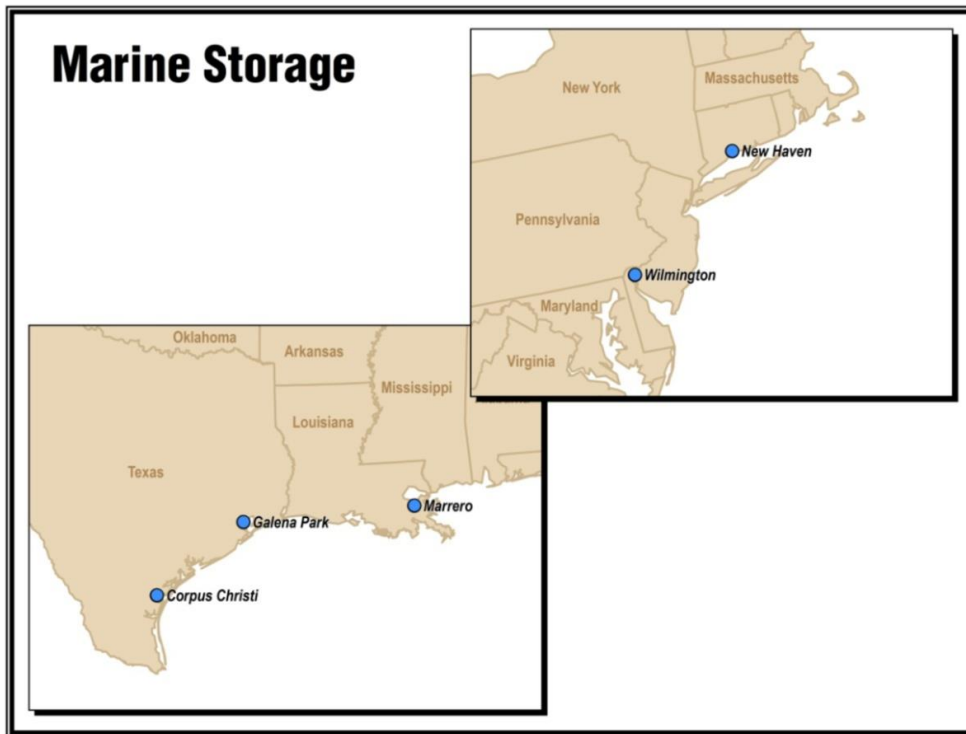
# Crude Oil

- 2,200 miles of crude oil pipelines, substantially backed by long-term throughput commitments
- 26mm barrels of total crude oil storage, including 16mm barrels used for contract storage
  - One of the largest storage providers in Cushing, OK



# Marine Storage

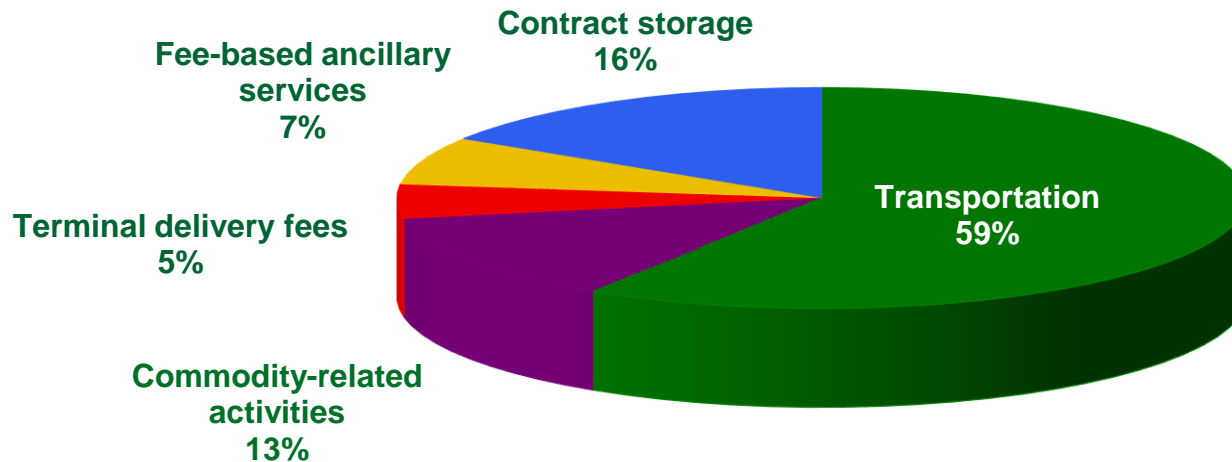
- 5 storage facilities with 26mm barrels of aggregate storage, supported by long-term agreements
- Utilization rates typically greater than 90%
- Strong demand due to market structure, pricing volatility and connectivity



# Primarily Fee-Based Business

Expect Future Fee-Based, Low Risk Activities to Comprise 85% or More of Operating Margin

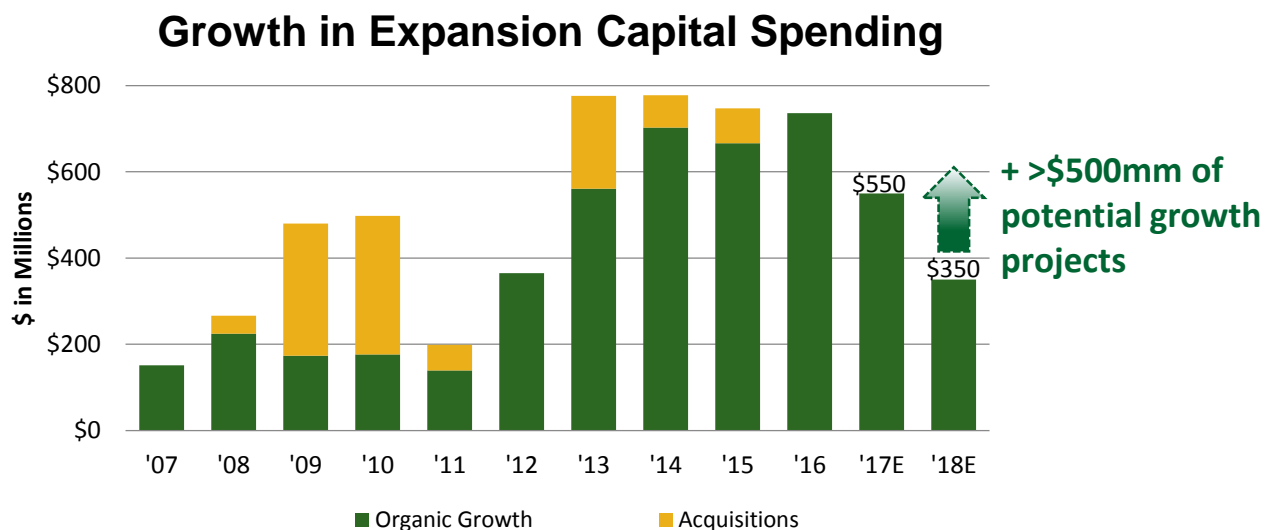
2016 Results\*



\* Operating margin represents operating profit before depreciation & amortization and general & administrative costs; excludes unrealized mark-to-market and other commodity-related adjustments

# Growth in Expansion Capital Spending

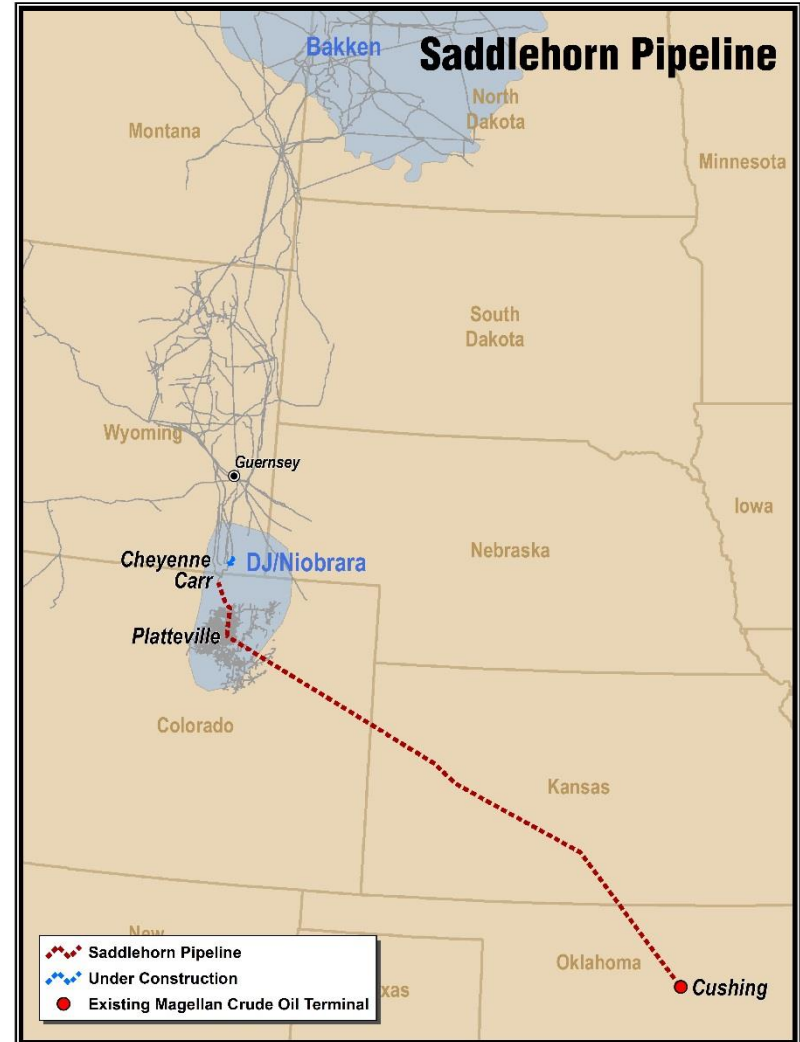
- Over the last 10 years, Magellan has invested \$5 billion in organic growth projects and acquisitions
- Expect to spend \$900mm in 2017-2018 on construction projects currently underway
- Many opportunities exist for continued growth:
  - Continue to evaluate well in excess of \$500mm of potential growth projects
  - Potential acquisitions always under review
  - Management committed to maintaining disciplined approach for future growth





# Saddlehorn Pipeline

- Joint venture to deliver crude oil from DJ Basin and potentially broader Rocky Mtn region to Cushing
  - 600-mile pipeline with initial capacity of 190k bpd (max capacity up to 300k bpd)
  - Ownership structure: Magellan 40%, Plains 40%, Anadarko 20%
- Platteville-to-Cushing segment operational Sept. 2016; linefill to commence 1Q17 for Carr lateral, 2Q17 for Cheyenne extension
- Binding commitments received from Anadarko and Noble
  - Total annual committed volume <50% of capacity (ramps from 40k to 80k bpd over 5 years), providing significant upside potential
- \$220mm for MMP's share of project cost
- 7x average EBITDA multiple based on ramp of committed volumes only



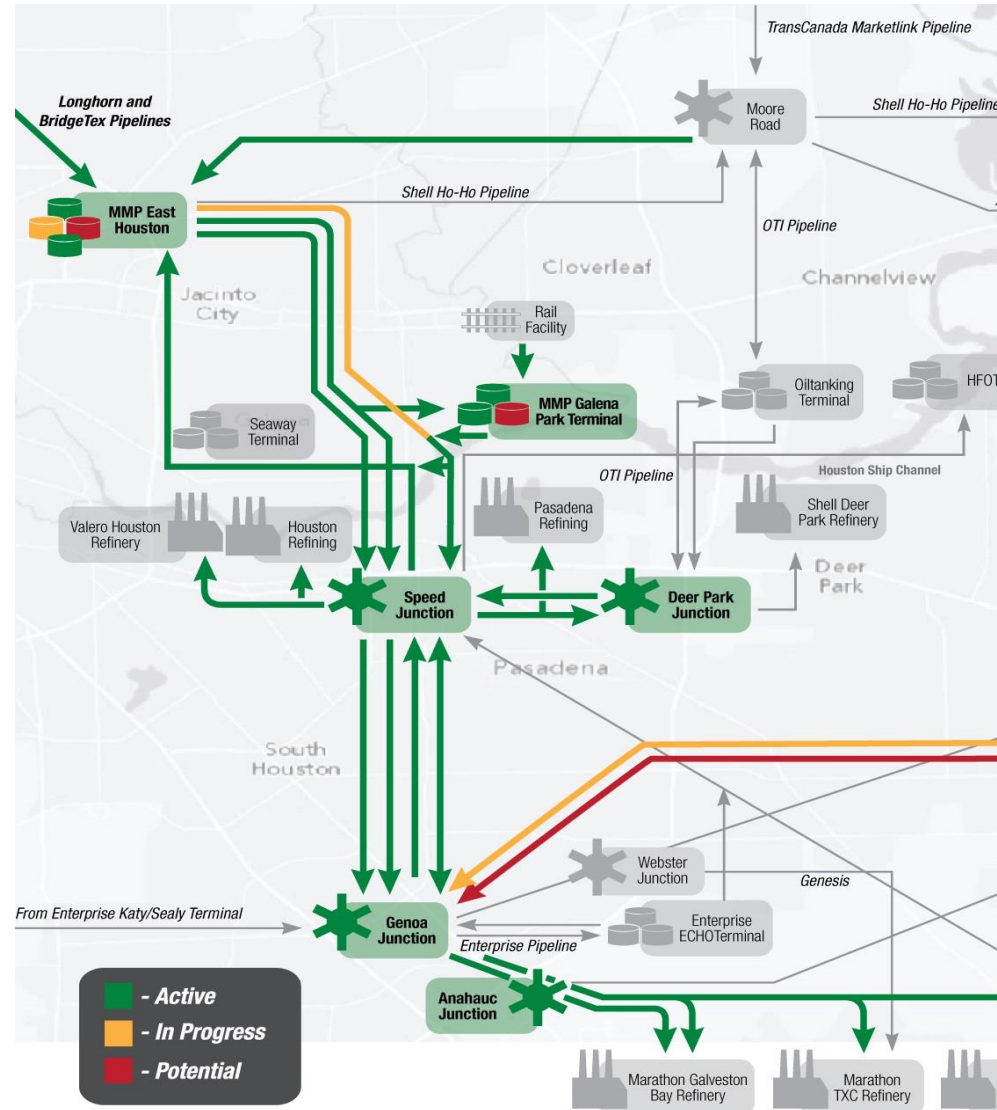
# Corpus Christi Condensate Splitter

- Magellan recently constructed a 50k bpd condensate splitter at our Corpus Christi terminal
- \$300mm spending: 65% of cost related to terminal infrastructure, such as storage and pipeline connectivity
- Mechanically complete and able to generate products meeting market specifications
- Long-term, take-or-pay contract terminated by Trafigura in late Jan '17, which Magellan believes is in breach of contract and has initiated legal action
- Currently in discussions with multiple potential customers for future use of splitter
- Magellan believes current market conditions support economic operation of the splitter and is optimistic investment will begin contributing positively to MMP's DCF in future



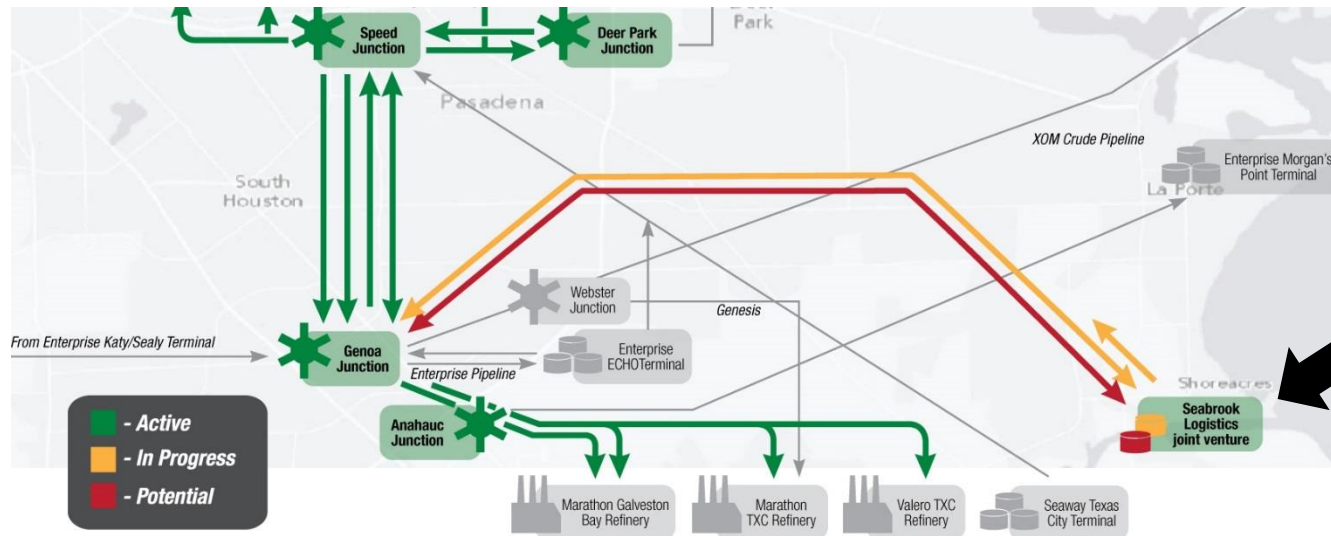
# Houston Distribution System Enhancements

- HoustonLink joint venture with TransCanada now operational
  - Improves Magellan’s connectivity by providing Marketlink shippers access to MMP’s Houston distribution system
  - MMP’s share of capital spend almost \$50mm, including enhancements to our facility, generating 10x EBITDA multiple while increasing strategic value of our system
  
- Recently announced \$70mm investment to build a new 24-inch diameter pipeline from MMP’s East Houston terminal to Holland Avenue to handle incremental volumes from various sources
  - Expect to be operational mid-2018



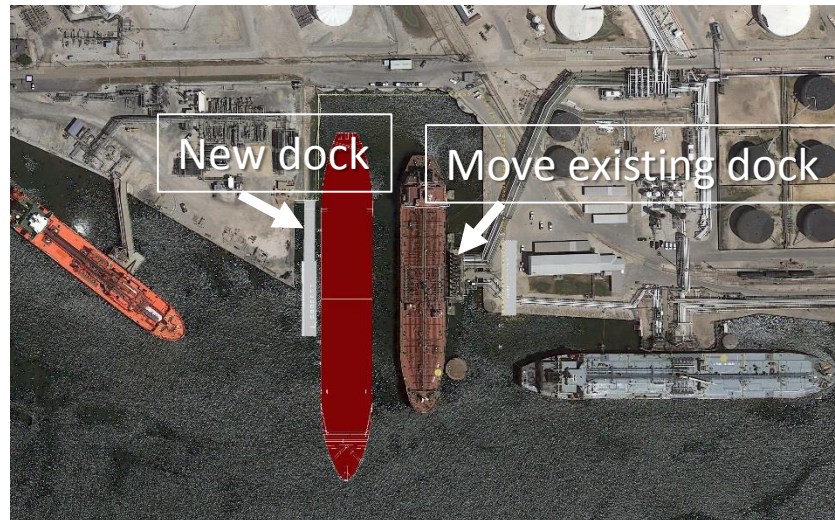
# Seabrook Logistics Joint Venture

- 50/50 joint venture with LBC Tank Terminals
  - Phase 1: Construction of 700k bbls of crude oil storage and pipeline infrastructure to connect to third-party pipeline for ultimate transport to Houston-area refinery
    - MMP’s share of capital spend almost \$50mm; Expect to be operational 2Q17
  - Phase 2: Recently announced additional 1.7mm bbls of crude oil storage and connectivity to MMP’s Houston crude oil distribution system
    - MMP’s share of capital spend \$125mm; Expect to be operational mid-2018
  - Potential opportunity for 3mm more bbls of storage, an additional Aframax-capable dock and second connection to MMP’s Houston crude oil pipeline system



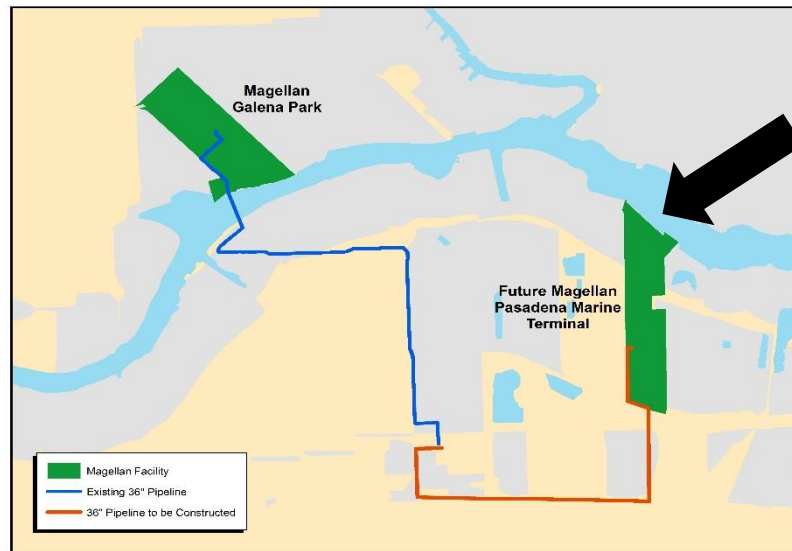
# Galena Park Dock Expansion

- To meet increased demand for export capabilities, Magellan is adding a 5<sup>th</sup> dock at its Galena Park marine terminal
  - Multi-phase project to build new dock capable of handling Panamax-sized ships and barges with up to a 40-foot draft
  - Incremental dock capabilities fully operational by late 2018
  - Recently connected Galena Park to MMP’s Houston crude pipeline system
  - Expect to increase storage rates as contracts renew to bring more inline with market, generating 9x average EBITDA multiple on \$115mm investment, with upside potential



# Pasadena Marine Terminal

- Announced plans to construct a new marine terminal in Pasadena, Texas
- Initial project includes 1mm bbls of refined products and ethanol storage, marine dock and pipeline connectivity to existing Galena Park facility
- \$335mm capital spend supported by long-term customer commitment, generating 12x EBITDA multiple on initial phase and providing platform for significant future growth
- Expect to be operational in early 2019
- Facility could be expanded to include up to 10mm bbls of storage and 5 docks, representing potential investment of ~\$1 billion at 8x EBITDA multiple



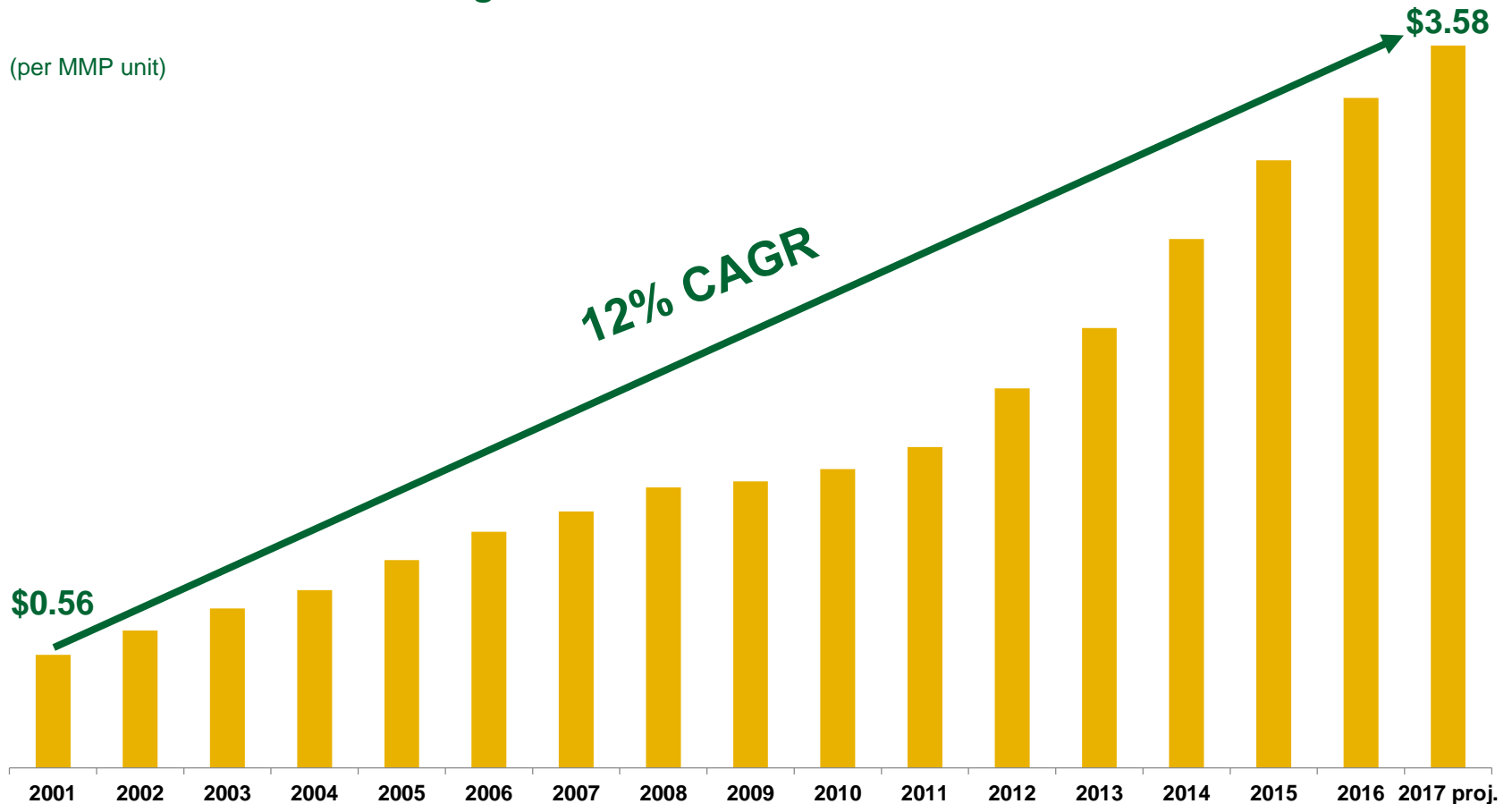
# Potential Expansion Projects

- Magellan has continually been able to keep its potential growth project list well in excess of \$500mm even as projects are completed and placed into service
  - Healthy mix of refined products and crude oil opportunities
  - Stated goal to increase marine infrastructure capabilities, including expansion of announced Pasadena marine terminal and Seabrook Logistics joint venture
  - Considering additional refined products pipeline opportunities
  - Pursuing potential gathering options to strengthen our long-haul crude oil pipelines
  - Targeting 6-8x EBITDA multiple but will consider higher multiples for strategic value creation



# Distribution Growth Trend

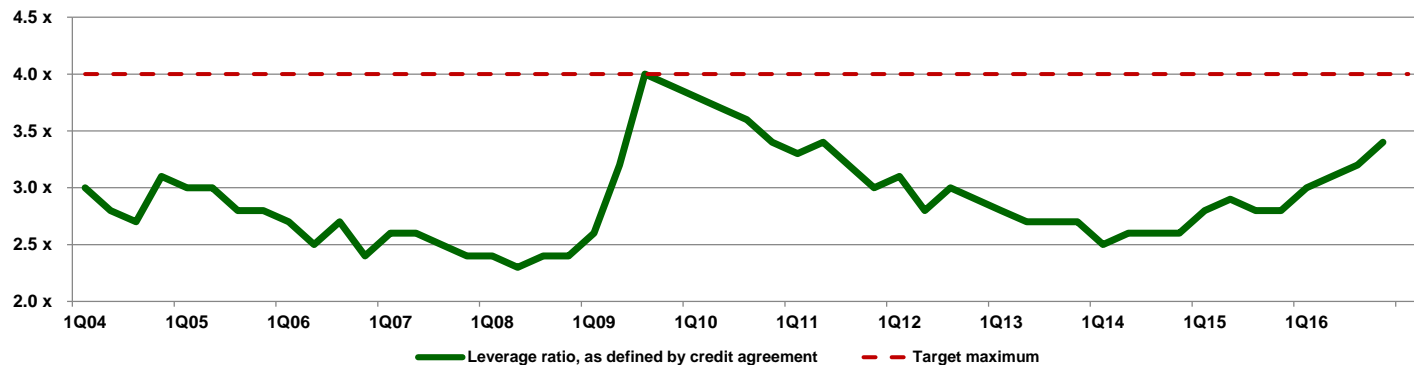
- Proven history of distribution growth with 59 quarterly increases since IPO
- Targeting 8% annual distribution growth for 2017 with 1.2x coverage and 8% for 2018 with distribution coverage of 1.1-1.2x





# Conservative Financial Profile

- Committed to maintaining solid balance sheet
  - Currently, one of the highest-rated MLPs at BBB+ / Baa1
  
- Targeting distribution coverage of at least 1.1x on long-term basis, 1.2x near term
  - DCF of \$947mm in 2016 provided coverage of 1.25x (\$190mm excess cash)
  - DCF guidance of \$1 billion for 2017 with coverage of 1.2x (\$180mm excess cash)
  
- Leverage ratio of  $\leq 4x$ 
  - History of maintaining sector-leading credit metrics
  - No equity issuances anticipated to fund current growth projects; however, will capitalize as necessary to stay within leverage target if material potential projects come to fruition
  - Significant liquidity with \$1 billion credit facility, \$250mm 364-day facility and commercial paper program



# Magellan Summary

- Proven history of exceptional returns and distribution growth
- Straight-forward, stable business model
- Forecasted strong distributable cash flow generation with solid distribution coverage
- Conservative, disciplined management team
- Financial flexibility and low cost of capital
  - Strong investment-grade balance sheet
  - No incentive distribution rights
- Attractive growth opportunities, current and potential

