

Valero Energy Partners LP Reports First Quarter 2018 Results

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- Reported net income of \$66 million and EBITDA of \$97 million.
- Reported net cash provided by operating activities of \$86 million and distributable cash flow of \$86 million.
- Increased cash distribution to \$0.5275 per unit, a 3.9 percent increase over the fourth quarter 2017, with a distribution coverage ratio of 1.6x.

SAN ANTONIO, April 26, 2018 (GLOBE NEWSWIRE) -- Valero Energy Partners LP (NYSE:VLP) (the "Partnership") today reported first quarter 2018 net income of \$66 million, or \$0.72 per limited partner common unit, and EBITDA of \$97 million. The Partnership reported net cash provided by operating activities of \$86 million and distributable cash flow of \$86 million. The distribution coverage ratio for the first quarter was 1.6x.

"Backed by solid operations, a healthy coverage ratio and a strong balance sheet, VLP remains well-positioned to achieve its distribution growth target of at least 20 percent for 2018 without the need for additional acquisitions," said Joe Gorder, Chairman and Chief Executive Officer of VLP's general partner.

Financial Results

Revenues of \$132 million for the first quarter of 2018 were \$26 million higher than the first quarter of 2017 due primarily to contributions from the Port Arthur terminal and Parkway Pipeline, which were acquired from [Valero Energy Corp.](#) ("Valero") in November 2017. Cost of revenues from lease and customer contracts totaled \$31 million in the first quarter of 2018 compared to \$24 million in the first quarter of 2017, and total depreciation expense was \$19 million in the first quarter of 2018 compared to \$12 million in the first quarter of 2017. General and administrative expenses of \$4 million were in line with the first quarter of 2017.

Liquidity and Financial Position

In March 2018, VLP issued \$500 million of 4.5 percent senior notes due 2028 and used the proceeds to repay all of its borrowings under its senior unsecured revolving credit facility and a portion of its borrowings under a subordinated credit agreement with Valero. As of March 31, 2018, the Partnership had \$821 million of total liquidity consisting of \$71 million in cash and temporary cash investments and \$750 million available on its revolving credit facility. Capital expenditures in the first quarter of 2018 were \$6 million, including \$4 million for expansion and \$2 million for maintenance.

The Partnership continues to target capital expenditures of \$35 million to \$45 million for 2018, which includes \$15 million to \$20 million for expansion and \$20 million to \$25 million for maintenance.

On April 19, the board of directors of VLP's general partner declared a first quarter 2018 cash distribution of \$0.5275 per unit. This distribution represents a 3.9 percent increase over the fourth quarter of 2017.

Conference Call

The Partnership's senior management will host a conference call at 3:00 p.m. ET today to discuss this earnings release. A live broadcast of the conference call will be available on the Partnership's website at www.valeroenergypartners.com.

About Valero Energy Partners LP

Valero Energy Partners LP is a master limited partnership formed by [Valero Energy Corp.](#) to own, operate, develop and acquire crude oil and refined petroleum products pipelines, terminals, and other transportation

and logistics assets. With headquarters in San Antonio, the Partnership's assets include crude oil and refined petroleum products pipeline and terminal systems in the Gulf Coast and Mid-Continent regions of the United States (U.S.) that are integral to the operations of 10 of Valero's refineries. Please visit www.valeroenergypartners.com for more information.

Contacts

Investors:

John Locke, Vice President & Investor Relations, 210-345-3077

Karen Ngo, Senior Manager & Investor Relations, 210-345-4574

Tom Mahrer, Manager & Investor Relations, 210-345-1953

Media:

Lillian Riojas, Director & Media and Communications, 210-345-5002

Safe-Harbor Statement

This release contains forward-looking statements within the meaning of federal securities laws. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other forward-looking information. You can identify forward-looking statements by words such as "anticipate," "believe," "estimate," "expect," "forecast," "project," "could," "may," "should," "would," "will," or other similar expressions that convey the uncertainty of future events or outcomes. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the Partnership's control and are difficult to predict. These statements are often based upon various assumptions, many of which are based, in turn, upon further assumptions, including examination of historical operating trends made by the management of the Partnership. Although the Partnership believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies, which are difficult or impossible to predict and are beyond its control, the Partnership cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements contained in the Partnership's filings with the SEC, including the Partnership's annual reports on Form 10-K, quarterly reports on Form 10-Q and other reports filed with the SEC and available on the Partnership's website at www.valeroenergypartners.com. These risks could cause the Partnership's actual results to differ materially from those contained in any forward-looking statement.

Use of Non-GAAP Financial Information

This earnings release includes the terms "EBITDA," "distributable cash flow," and "coverage ratio." These terms are supplemental financial measures that are not defined under U.S. generally accepted accounting principles (GAAP). We reconcile these non-GAAP measures to the most directly comparable GAAP measures in the tables that accompany this release. In note (I) to the tables that accompany this release, we disclose the reasons why we believe our use of the non-GAAP financial measures in this release provides useful information.

VALERO ENERGY PARTNERS LP EARNINGS RELEASE TABLES (thousands of dollars, except per unit amounts) (unaudited)

	Three Months Ended March 31, 2018	2017
Statement of income data:		
Revenues & related party:		
Revenues from lease contracts	\$ 105,326	\$ 81,326
Revenues from contracts with customer	26,616	24,700
Total revenues & related party (a)	131,942	105,826
Costs and expenses:		
Cost of revenues from lease contracts (excluding depreciation expense reflected below) (b)	24,518	18,520
Cost of revenues from contracts with customer (excluding depreciation expense reflected below) (b)	6,783	5,023
Depreciation expense associated with lease contracts (c)	15,589	9,030

Depreciation expense associated with contracts with customer (c)	2,951	2,745
General and administrative expenses (d)	4,112	3,830
Total costs and expenses	53,953	39,150
Operating income	77,989	66,600
Other income, net	382	64
Interest and debt expense, net of capitalized interest (e)	(11,908)	(8,280)
Income before income tax expense	66,463	58,414
Income tax expense	384	304
Net income	66,079	58,110
Less: General partner's interest in net income	16,555	9,467
Limited partners' interest in net income	\$ 49,524	\$ 48,643
Net income per limited partner common unit (basic and diluted)	\$ 0.72	\$ 0.70
Weighted-average limited partner common units outstanding (basic and diluted) (in thousands):		
Public	22,481	21,970
Valero	46,769	45,600

See Notes to Earnings Release Tables.

VALERO ENERGY PARTNERS LP
EARNINGS RELEASE TABLES
(thousands of dollars, except per unit and per barrel amounts)
(unaudited)

	Three Months Ended March 31,	
	2018	2017
Operating highlights:		
Pipeline transportation:		
Pipeline transportation revenues (a)	\$ 31,368	\$ 23,175
Pipeline transportation throughput (BPD) (f)	1,062,103	962,200
Average pipeline transportation revenue per barrel (g) (h)	\$ 0.33	\$ 0.27
Terminals:		
Terminals revenues (a)	\$ 99,274	\$ 82,506
Terminals throughput (BPD) (i)	3,396,096	2,734,478
Average terminals revenue per barrel (g) (j)	\$ 0.32	\$ 0.34
Storage and other revenues (k)	\$ 1,300	\$ 135
Total revenues & related party	\$ 131,942	\$ 105,816
Capital expenditures:		
Maintenance	\$ 2,312	\$ 2,038
Expansion	4,061	6,979
Total capital expenditures	\$ 6,373	\$ 9,017
Other financial information:		
Net cash provided by operating activities	\$ 85,948	\$ 74,718
Distributable cash flow (l)	\$ 86,467	\$ 73,662
Distribution declared per unit	\$ 0.5275	\$ 0.4275
Distribution declared:		
Limited partner units & public	\$ 11,865	\$ 9,610
Limited partner units & Valero	24,671	19,531
General partner units & Valero	16,290	8,902
Total distribution declared	\$ 52,826	\$ 38,043
Distribution coverage ratio: Distributable cash flow divided by total distribution declared (l)	1.64x	1.94x
	March 31,	December 31,

	2018	2017
Balance sheet data:		
Cash and temporary cash investments	\$ 71,485	\$ 42,052
Total assets	1,544,765	1,517,352
Debt (no current portion)	1,274,115	1,275,283
Partners' capital	232,362	205,797
Working capital	83,473	56,727

See Notes to Earnings Release Tables.

VALERO ENERGY PARTNERS LP
EARNINGS RELEASE TABLES
RECONCILIATION OF NON-GAAP MEASURES TO MOST COMPARABLE AMOUNTS
REPORTED UNDER U.S. GAAP (I)
(thousands of dollars)
(unaudited)

	Three Months Ended March 31,	
	2018	2017
Reconciliation of net income to EBITDA and distributable cash flow (I):		
Net income	\$ 66,079	\$ 58,111
Plus:		
Depreciation expense	18,540	11,775
Interest and debt expense, net of capitalized interest	11,908	8,289
Income tax expense	384	304
EBITDA	96,911	78,505
Plus:		
Adjustments related to minimum throughput commitments	(221)	(897)
Less:		
Cash interest paid	7,911	1,908
Maintenance capital expenditures	2,312	2,038
Distributable cash flow	\$ 86,467	\$ 73,669
Reconciliation of net cash provided by operating activities to EBITDA and distributable cash flow (I):		
Net cash provided by operating activities	\$ 85,948	\$ 74,741
Plus:		
Changes in current assets and current liabilities	(536)	(4,368)
Changes in deferred charges and credits and other operating activities, net	(697)	(358)
Interest and debt expense, net of capitalized interest	11,908	8,289
Current income tax expense	288	224
EBITDA	96,911	78,505
Plus:		
Adjustments related to minimum throughput commitments	(221)	(897)
Less:		
Cash interest paid	7,911	1,908
Maintenance capital expenditures	2,312	2,038
Distributable cash flow	\$ 86,467	\$ 73,669

See Notes to Earnings Release Tables.

(a) The increase in "total revenues" related party in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 was due primarily to the following:

- *Revenues from a terminal and pipeline system acquired from [Valero Energy Corp.](#) (Valero) in November 2017.* We generated revenues of \$15.3 million from the operations of our Port Arthur terminal and \$6.5 million from our Parkway pipeline in the three months ended March 31, 2018.
- *Revenues from our rail loading facility placed in service in May 2017.* Our rail loading facility at our St. Charles terminal generated revenues of \$1.2 million in the three months ended March 31, 2018.
- *Incremental throughput at our Red River crude system acquired in January 2017.* We generated incremental revenues of \$1.1 million due to higher throughput at our Red River crude system in the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

(b) The combined increase in cost of revenues in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 was due primarily to expenses of \$6.8 million related to our Port Arthur terminal and Parkway pipeline, which were acquired in November 2017. In addition, we incurred higher maintenance expenses of \$1.1 million at our Port Arthur products systems due primarily to inspection activity.

(c) The combined increase in depreciation expense in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 was due primarily to depreciation expense recognized on the assets that compose our Port Arthur terminal and Parkway pipeline, which were acquired in November 2017.

(d) The increase in general and administrative expenses in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 was due primarily to incremental costs of \$173,000 related to the management fee charged to us by Valero in connection with the acquisition of our Port Arthur terminal and Parkway pipeline, which were acquired in November 2017, and an increase of \$142,000 in professional fees.

(e) The increase in "interest and debt expense, net of capitalized interest" in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 was due primarily to the following:

- *Incremental borrowings in connection with acquisitions.* In connection with the acquisitions of the Port Arthur terminal and Parkway pipeline in November 2017, we borrowed \$380.0 million under our revolving credit facility. Interest expense on the incremental borrowings was \$2.9 million in the three months ended March 31, 2018.
- *Higher interest rates in 2018.* Borrowings on our revolving credit facility and subordinated credit agreements with Valero bear interest at variable rates. We incurred additional interest of \$739,000 in the three months ended March 31, 2018 on these borrowings due to higher interest rates in 2018 compared to 2017.

(f) The volume amounts reflected represent the sum of volumes transported through each separately tariffed pipeline segment divided by the number of days in the period. The increase in pipeline transportation throughput in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 was due primarily to the effect from new volumes at our Parkway pipeline.

(g) Management uses average revenue per barrel to evaluate operating and financial performance and compare results to other companies in the industry. There are a variety of ways to calculate average revenue per barrel; different companies may calculate it in different ways. We calculate average revenue per barrel as revenue divided by throughput for the period. Throughput is derived by multiplying the throughput barrels per day (BPD) by the number of days in the period. Investors and analysts use this financial measure to help analyze and compare companies in the industry on the basis of operating performance.

(h) Average pipeline transportation revenue per barrel was higher in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 due primarily to higher pipeline transportation revenue per barrel generated by our Parkway pipeline.

(i) The volume amounts reflected represent the sum of throughput volumes at each of our terminals divided by the number of days in the period. The increase in terminaling throughput in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 was due primarily to incremental throughput volumes attributed to our Port Arthur terminal.

(j) Average terminaling revenue per barrel was lower in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 due primarily to a lower tariff rate charged at our Port Arthur terminal compared to tariff rates charged at our other terminals.

(k) Storage and other revenues were higher in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 due primarily to revenues generated by the rail loading facility at our St. Charles terminal, which was placed in service in May 2017.

(l) Defined terms are as follows:

- EBITDA is defined as net income plus income tax expense, interest expense, and depreciation expense.
- Distributable cash flow is defined as EBITDA plus (i) adjustments related to minimum throughput commitments; less (ii) cash payments during the period for interest, income taxes, and maintenance capital expenditures.
- Distribution coverage ratio is defined as the ratio of distributable cash flow to the total distribution declared.

These terms are not defined under United States (U.S.) generally accepted accounting principles (GAAP) and are considered non-GAAP measures. Management has defined these terms and believes that the presentation of the associated measures is useful to external users of our financial statements, such as industry analysts, investors, lenders, and rating agencies, to:

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

We believe that the presentation of EBITDA provides useful information to investors in assessing our financial condition and results of operations. The U.S. GAAP measures most directly comparable to EBITDA are net income and net cash provided by operating activities. EBITDA should not be considered an alternative to net income or net cash provided by operating activities presented in accordance with U.S. GAAP. EBITDA has important limitations as an analytical tool because it excludes some, but not all, items that affect net income or net cash provided by operating activities. EBITDA should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Additionally, because EBITDA may be defined differently by other companies in our industry, our definition of EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

We use distributable cash flow to measure whether we have generated from our operations, or “earned,” an amount of cash sufficient to support the payment of the minimum quarterly distributions. Our partnership agreement contains the concept of “operating surplus” to determine whether our operations are generating sufficient cash to support the distributions that we are paying, as opposed to returning capital to our partners. Because operating surplus is a cumulative concept (measured from our initial public offering (IPO) date and compared to cumulative distributions from the IPO date), we use distributable cash flow to approximate operating surplus on a quarterly or annual, rather than a cumulative, basis. As a result, distributable cash flow is not necessarily indicative of the actual cash we have on hand to distribute or that we are required to distribute.

We use the distribution coverage ratio to reflect the relationship between our distributable cash flow and the total distribution declared.

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