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Magellan profits dip, revenues up

By: D. Ray Tuttle The Journal Record August 5, 2014 0

TULSA – Magellan Midstream Partners LP reported that second-quarter profits slipped 5 percent compared to a year ago, but revenues increased 12 percent.

Tulsa-based Magellan on Tuesday said profits declined to $146.3 million from $153.6 million for the same period last year. Results in the just-completed quarter included a $9.4 million non-cash impairment charge related to a pipeline terminal that may be sold in the future.

Qian Zhang, a portfolio manager with Tulsa's Fredric E. Russell Investment Management Co., said she was impressed by the company's expansion plans.

"Magellan plans to spend a combined total of more than $1.1 billion through 2016," Zhang said.

Magellan's competitive advantage is through its direct refinery connections and interconnections with other interstate pipelines, Zhang said. According to the Magellan 10-K, the company's refined products system can access 48 percent of U.S. refining capacity and is connected to Gulf Coast, Mid-Continent and Chicago-area refineries.

Diluted net income per limited partner unit was also down 5 percent compared to the same period last year, falling to 64 cents from 68 cents last year.

Total revenue for the quarter grew to $496.45 million from $443.91 million for the same period a year ago.

Analysts polled by Thomson Reuters expected the company to report earnings of 71 cents per unit and revenues of $503.27 million for the second quarter. Analysts' estimates typically exclude special items.

Otherwise, the partnership's assets generated better financial results than expected due to continued strong demand for refined products transportation and higher crude oil shipments during the quarter, said Michael N. Mears, Magellan chairman, president and CEO.

Mears, speaking during a conference call with analysts, said the company will spend $775 million this year with an additional $350 million in 2015 and $75 million in 2016 to complete its current slate of construction projects.

The partnership estimates that its share of spending for the BridgeTex pipeline will be $625 million.

Diluted net income per unit excluding mark-to-market commodity-related pricing adjustments was 70 cents for the quarter. That's 2 cents lower than the 72-cent guidance provided by management in May. The lower figure was due to the 4-cent unfavorable effect of the non-cash impairment charge.

Magellan announced plans to reactivate an idle 135-mile segment of pipeline in southern Oklahoma to deliver crude oil and condensate from Healdton to Cushing beginning in the third quarter of next year.

In addition, Magellan continues to evaluate a backlog of potential growth projects, Mears said. Magellan officials are looking at projects worth more than $500 million.

"These are in early stages of development as well as possible acquisitions, both of which have been excluded from the partnership's spending estimates," Mears said, declining to be specific.

For the third quarter, the company expects net income per limited partner unit of 62 cents. Analysts project third-quarter earnings of 67 cents per unit.

The company raised its 2014 distributable cash flow, or DCF, guidance by $30 million to $840 million. Mears said Magellan remains committed to the goal of increasing annual cash distributions by 20 percent this year and 15 percent next year.

Net income per limited partner unit is now estimated to be $3.30 for 2014. Analysts project annual earnings per share of $3.30. The company said in May that it expected net income per limited partner unit of $3.25 for 2014.

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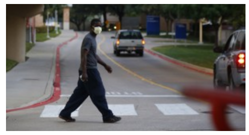

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