Martin Midstream Partners Reports 2011 Second Quarter Financial Results

KILGORE, Texas, Aug. 3, 2011 (GLOBE NEWSWIRE) -- Martin Midstream Partners L.P. (Nasdaq:MMLP) announced today its financial results for the second quarter ended June 30, 2011.

Martin Midstream Partners L.P. ("the Partnership") reported net income for the second quarter of 2011 of $8.8 million, or $0.37 per limited partner unit. This compared to net income for the second quarter of 2010 of $3.1 million, or $0.10 per limited partner unit. Revenues for the second quarter of 2011 were $292.2 million compared to $211.9 million for the second quarter of 2010.

For the quarter ended June 30, 2011, net income was positively impacted by $2.8 million, or $0.15 per limited partner unit, in non-cash derivatives net gains from certain commodity and interest rate hedges that are subject to mark-to-market accounting.

The Partnership reported net income for the six months ended June 30, 2011 of $16.1 million, or $0.67 per limited partner unit. This compared to net income for the six months ended June 30, 2010 of $4.8 million, or $0.14 per limited partner unit. Revenues for the six months ended June 30, 2011 were $575.2 million compared to $454.6 million for the six months ended June 30, 2010.

For the six months ended June 30, 2011, net income was positively impacted by $2.3 million, or $0.12 per limited partner unit, in non-cash derivatives net gains from certain commodity and interest rate hedges that did not qualify for hedge accounting.

The Partnership's distributable cash flow for the second quarter of 2011 was $15.7 million. Distributable cash flow is a non-GAAP financial measure which is explained in greater detail below under "Use of Non-GAAP Financial Information." The Partnership has also included below a table entitled "Distributable Cash Flow" in order to show the components of this non-GAAP financial measure and its reconciliation to the most comparable GAAP measurement.

Included with this press release are the Partnership's consolidated financial statements as of and for the quarter ended June 30, 2011 and certain prior periods. These financial statements should be read in conjunction with the information contained in the Partnership's Quarterly Report on Form 10-Q, to be filed with the Securities and Exchange Commission on August 9, 2011.

Ruben Martin, President and Chief Executive Officer of Martin Midstream GP LLC, the general partner of Martin Midstream Partners, said, "While our diversity often provides a stabilizing balance to our cash flows, such was not the case as our second quarter 2011 results did not meet our expectations. Our distributable cash flow was not as strong as anticipated at 0.95 times. In addition, similar to the first quarter, we had higher than normal maintenance capital expenditures primarily attributed to our Marine Transportation and Natural Gas Services segment. Our entire off-shore marine fleet has completed all required regulatory dry-docking during the first six months of the year. When coupled with the natural gas pipeline refurbishments we made during the second quarter, we have spent the vast majority of our planned maintenance capital expenditures for 2011 during the first half of the year, which should benefit us in the second half of the year.

"Operationally, during the quarter we experienced lower than expected levels of activity in the U.S. Gulf of Mexico in our Terminalling and Storage segment. Our Marine Transportation segment faced challenging inland waterway conditions due to flooding and weak market conditions for our off-shore fleet. In our Natural Gas Services segment we saw a decline in drilling among producers in our area as bias toward gas liquid rich production plays outside of our footprint. On the bright side, our Sulfur Services segment performed well during the quarter in both our molten and fertilizer businesses.

"Looking forward, we plan to be more efficient with the assets we own and operate. I have challenged our management to perform a thorough review of our operating costs as we strive for incremental fee-based cash flow growth."

Investors' Conference Call

An investor's conference call to review the second quarter results will be held on Thursday, August 4, 2011, at 8:00 a.m. Central Time. The conference call can be accessed by calling (877) 878-2695. An audio replay of the conference call will be available by calling (855) 859-2056 from 11:00 a.m. Central Time on August 4, 2011 through 10:59 p.m. Central Time on August 19, 2011. The access codes for the conference call and the audio replay are as follows: Conference ID No. 87197862. The audio replay of the conference call will also be archived on the Partnership's website at www.martinmidstream.com.

About Martin Midstream Partners

Martin Midstream Partners is a publicly traded limited partnership with a diverse set of operations focused primarily in the United States Gulf Coast region. The Partnership's primary business lines include: terminalling and storage services for petroleum products and by-products; natural gas gathering, processing and NGL distribution; sulfur and sulfur-based products processing, manufacturing, and distribution; and marine transportation services for petroleum products and by-products.

Forward-Looking Statements

Statements about Martin Midstream Partners' outlook and all other statements in this release other than historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements and all references to financial estimates rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside its control, which could cause actual results to differ materially from such statements. While MMLP believes that the assumptions concerning future events are reasonable, it cautions that there are inherent difficulties in anticipating or predicting certain important factors. A discussion of these factors, including risks and uncertainties, is set forth in the Partnership's annual and quarterly reports filed from time to time with the Securities and Exchange Commission. Martin Midstream Partners disclaims any intention or obligation to revise any forward-looking statements, including financial estimates, whether as a result of new information, future events, or otherwise.

Use of Non-GAAP Financial Information

The Partnership reports its financial results in accordance with United States generally accepted accounting principles (GAAP). However, from time to time, the Partnership uses certain non-GAAP financial measures such as distributable cash flow because the Partnership's management believes that this measure may provide users of this financial information with meaningful comparisons between current results and prior reported results and a meaningful measure of Partnership's cash available to pay distributions. Distributable cash flow should not be considered an alternative to cash flow from operating activities or any other measure of financial performance in accordance with GAAP. Distributable cash flow is not intended to represent cash flows for the period, nor is it presented as an alternative to income from continuing operations. Furthermore, it should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. This information may constitute non-GAAP financial measures within the meaning of Regulation G adopted by the Securities and Exchange Commission. Accordingly, the Partnership has presented herein, and will present in other information it publishes that contains this non-GAAP financial measure, a reconciliation of this measure to the most directly comparable GAAP financial measure.

The Partnership has included below a table entitled "Distributable Cash Flow" in order to show the components of this non-GAAP financial measure and its reconciliation to the most comparable GAAP measure. The Partnership calculates distributable cash flow as follows: net income (as reported in statements of operations), plus depreciation and amortization, amortization of debt discount and amortization of deferred debt issue costs (as reported in statements of cash flows), less deferred taxes (as reported in statements of cash flows), less payments of installment notes payable and capital lease obligations expenditures (as reported in statements of cash flows), plus distribution equivalents from unconsolidated entities (as described below), less invested cash in unconsolidated entities (as described below), less equity in earnings of unconsolidated entities (as reported in statements of operations), plus non-cash mark-to-market on derivatives (as reported in statements of cash flows), less payments for plant turnaround costs (as reported in statements of cash flows), less maintenance capital expenditures (as reported under the caption "Liquidity and Capital Resources" in the Partnership's Quarterly Report on Form 10-Q to be filed with the SEC on August 9, 2011), plus unit-based compensation (as reported in statements of changes in capital).

The Partnership's *distribution equivalents from unconsolidated entities* is calculated as distributions from unconsolidated entities (as reported in statements of cash flows), plus return of investments from unconsolidated entities (as reported in statements of cash flows), plus distributions in-kind from equity investments (as reported in statements of cash flows). For the quarter ended June 30, 2011, the Partnership's distributions from unconsolidated entities, return of investments from unconsolidated entities and distributions in-kind from equity investments were $0.0 million, $1.2 million and $3.1 million, respectively. For the six months ended June 30, 2011, the Partnership's distributions from unconsolidated entities, return of investments from unconsolidated entities and distributions in-kind from equity investments were $0.0 million, $1.3 million and $7.0 million, respectively.

The Partnership's *invested cash in unconsolidated entities* is calculated as distributions from (contributions to) unconsolidated entities for operations (as reported in statements of cash flows), plus expansion capital expenditures in unconsolidated entities (as reported under the caption "Liquidity and Capital Resources" in the Partnership's Annual Report on Form 10-K filed with the SEC on March 2, 2011). For the quarter ended June 30, 2011, the Partnership's distributions from (contributions to) unconsolidated entities for operations and expansion capital expenditures in unconsolidated entities were ($2.9) million and $1.5 million, respectively. For the six months ended June 30, 2011, the Partnership's distributions from (contributions to) unconsolidated entities for operations and expansion capital expenditures in unconsolidated entities were ($6.5) million and $3.7 million, respectively.

Additional information concerning the Partnership is available on the Partnership's website at www.martinmidstream.com

MARTIN MIDSTREAM PARTNERS L.P.

CONSOLIDATED AND CONDENSED BALANCE SHEETS

(Dollars in thousands)

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Assets		
Cash	$67	$11,380
Accounts and other receivables, less allowance for doubtful accounts of $2,705 and $2,528, respectively	99,119	95,276
Product exchange receivables	16,641	9,099
Inventories	63,560	52,616
Due from affiliates	19,122	6,437
Fair value of derivatives	2,258	2,142
Other current assets	1,209	2,784
Total current assets	201,976	179,734
Property, plant and equipment, at cost	677,785	632,456
Accumulated depreciation	(219,291)	(200,276)
Property, plant and equipment, net	458,494	432,180
Goodwill	37,268	37,268
Investment in unconsolidated entities	160,898	98,217
Fair value of derivatives	39	—
Deferred debt costs	14,531	13,497
Other assets, net	25,073	24,582
	$898,279	$785,478
Liabilities and Partners' Capital		
Current portion of capital lease obligations	$1,173	$1,121
Trade and other accounts payable	90,685	82,837
Product exchange payables	27,609	22,353
Due to affiliates	17,227	6,957
Income taxes payable	601	811
Fair value of derivatives	387	282
Other accrued liabilities	9,669	10,034
Total current liabilities	147,351	124,395
Long-term debt and capital leases, less current maturities	428,442	372,862
Deferred income taxes	7,782	8,213
Fair value of derivatives	2,603	4,100
Other long-term obligations	1,753	1,102
Total liabilities	587,931	510,672
Partners' capital	309,728	273,387
Accumulated other comprehensive income	620	1,419
Total partners' capital	310,348	274,806
Commitments and contingencies		

	$898,279	$785,478

These financial statements should be read in conjunction with the financial statements and the accompanying notes and other information included in the Partnership's Quarterly Report on Form 10-Q to be filed with the Securities and Exchange Commission on August 9, 2011.

MARTIN MIDSTREAM PARTNERS L.P.

CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except per unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Terminalling and storage *	$19,327	$16,664	$37,450	$32,705
Marine transportation *	17,376	18,113	36,775	35,990
Sulfur services	2,850	—	5,700	—
Product sales: *				
Natural gas services	159,198	124,784	326,409	290,013
Sulfur services	74,083	42,878	130,991	77,287
Terminalling and storage	19,371	9,505	37,916	18,625
	252,652	177,167	495,316	385,925
Total revenues	292,205	211,944	575,241	454,620
Costs and expenses:				
Cost of products sold: (excluding depreciation and amortization)				
Natural gas services *	153,417	119,282	311,621	276,946
Sulfur services *	59,892	31,615	104,334	56,350
Terminalling and storage	17,395	8,962	33,955	17,408
	230,704	159,859	449,910	350,704
Expenses:				
Operating expenses *	34,712	28,102	69,061	57,297
Selling, general and administrative *	5,012	4,838	10,040	10,108
Depreciation and amortization	11,309	9,986	22,251	19,891
Total costs and expenses	281,737	202,785	551,262	438,000
Other operating income	98	(57)	98	45
Operating income	10,566	9,102	24,077	16,665
Other income (expense):				
Equity in earnings of unconsolidated entities	2,793	2,342	5,169	4,518
Interest expense	(4,403)	(8,194)	(12,805)	(16,197)
Other, net	44	23	104	83
Total other income (expense)	(1,566)	(5,829)	(7,532)	(11,596)
Net income before taxes	9,000	3,273	16,545	5,069
Income tax benefit (expense)	(230)	(198)	(453)	(223)
Net income	$8,770	$3,075	$16,092	$4,846

General partner's interest in net income	$1,415	$969	$2,644	$1,832
Limited partners' interest in net income	$7,078	$1,829	$12,894	$2,460
Net income per limited partner unit - basic and diluted	$0.37	$0.10	$0.67	$0.14
Weighted average limited partner units - basic	19,158,507	17,702,321	19,162,963	17,702,442
Weighted average limited partner units - diluted	19,158,901	17,703,945	19,163,960	17,704,293

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*Related Party Transactions Included Above

Revenues:				
Terminalling and storage	$12,897	$11,593	$25,835	$22,287
Marine transportation	6,306	6,920	12,871	12,980
Product Sales	3,321	3,074	8,721	3,382
Costs and expenses:				
Cost of products sold: (excluding depreciation and amortization)				
Natural gas services	25,754	22,662	48,959	41,368
Sulfur services	4,492	3,919	8,645	7,236
Expenses:				
Operating expenses	13,702	12,309	25,744	23,771
Selling, general and administrative	2,893	3,634	5,924	5,436

MARTIN MIDSTREAM PARTNERS L.P.

CONSOLIDATED AND CONDENSED STATEMENTS OF CAPITAL

(Unaudited)

(Dollars in thousands)

Partners' Capital

	Common		Subordinated		General Partner	Accumulated Other Comprehensive Income	
	Units	Amount	Units	Amount	Amount	(Loss)	Total
Balances — January 1, 2010	16,057,832	$ 245,683	889,444	$16,613	$4,731	$ (2,076)	$264,951
Net income	—	3,014	—	—	1,832	—	4,846
Recognition of beneficial conversion feature	—	(554)	—	554	—	—	—
Follow-on public offering	1,650,000	50,530	—	—	—	—	50,530
General partner contribution	—	—	—	—	1,089	—	1,089
Cash distributions	—	(25,324)	—	—	(2,350)	—	(27,674)

Unit-based compensation	3,000	38	—	—	—	—	38
Purchase of treasury units	(3,000)	(92)	—	—	—	—	(92)
Adjustment in fair value of derivatives	—	—	—	—	—	3,452	3,452
Balances — June 30, 2010	17,707,832	$273,295	889,444	$17,167	$5,302	$1,376	$297,140
Balances — January 1, 2011	17,707,832	$250,785	889,444	$17,721	$4,881	$1,419	$274,806
Net income	—	13,448	—	—	2,644	—	16,092
Recognition of beneficial conversion feature	—	(554)	—	554	—	—	—
Follow-on public offering	1,874,500	70,330	—	—	—	—	70,330
General partner contribution	—	—	—	—	1,505	—	1,505
Cash distributions	—	(28,390)	—	—	(3,025)	—	(31,415)
Distribution to parent	—	(19,685)	—	—	—	—	(19,685)
Unit-based compensation	15,350	96	—	—	—	—	96
Purchase of treasury units	(14,850)	(582)	—	—	—	—	(582)
Unit-based compensation grant forfeitures	(500)	—	—	—	—	—	—
Adjustment in fair value of derivatives	—	—	—	—	—	(799)	(799)
Balances — June 30, 2011	19,582,332	$285,448	889,444	$18,275	$6,005	$620	$310,348

These financial statements should be read in conjunction with the financial statements and the accompanying notes and other information included in the Partnership's Quarterly Report on Form 10-Q to be filed with the Securities and Exchange Commission on August 9, 2011.

MARTIN MIDSTREAM PARTNERS L.P.

CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Six Months Ended June 30,	
	2011	**2010**
Cash flows from operating activities:		
Net income	$ 16,092	$ 4,846
Adjustments to reconcile net income to net cash provided by operating activities:		

Depreciation and amortization	22,251	19,891
Amortization of deferred debt issuance costs	2,390	2,663
Amortization of debt discount	175	93
Deferred taxes	(32)	(289)
(Gain) loss on sale of property, plant and equipment	714	(45)
Equity in earnings of unconsolidated entities	(5,169)	(4,518)
Distributions in-kind from equity investments	7,034	4,531
Non-cash mark-to-market on derivatives	(2,346)	(2,650)
Other	96	38
Change in current assets and liabilities, excluding effects of acquisitions and dispositions:		
Accounts and other receivables	(3,843)	8,013
Product exchange receivables	(7,542)	677
Inventories	(10,944)	(13,647)
Due from affiliates	(12,685)	(7,385)
Other current assets	1,176	(1,183)
Trade and other accounts payable	7,848	(4,223)
Product exchange payables	5,257	8,295
Due to affiliates	10,270	392
Income taxes payable	(210)	(63)
Other accrued liabilities	(365)	3,400
Change in other non-current assets and liabilities	(92)	(3,864)
Net cash provided by operating activities	30,075	14,972
Cash flows from investing activities:		
Payments for property, plant and equipment	(30,169)	(7,716)
Acquisitions	(16,815)	—
Payments for plant turnaround costs	(2,044)	(1,062)
Proceeds from sale of property, plant and equipment	—	968
Investment in unconsolidated entities	(59,319)	(20,110)
Return of investments from unconsolidated entities	1,285	740
Distributions from (contributions to) unconsolidated entities for operations	(6,512)	881
Net cash used in investing activities	(113,574)	(26,299)
Cash flows from financing activities:		
Payments of long-term debt	(301,500)	(331,693)
Payments of notes payable and capital lease obligations	(543)	(49)
Proceeds from long-term debt	357,500	330,682
Net proceeds from follow on offering	70,330	50,530
General partner contribution	1,505	1,089
Distribution to parent	(19,685)	—
Payments of debt issuance costs	(3,424)	(7,327)
Purchase of treasury units	(582)	(92)
Cash distributions paid	(31,415)	(27,674)
Net cash provided by financing activities	72,186	15,466
Net increase (decrease) in cash	(11,313)	4,139
Cash at beginning of period	11,380	5,956
Cash at end of period	$ 67	$ 10,095

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MARTIN MIDSTREAM PARTNERS L.P.

SEGMENT OPERATING INCOME

Unaudited

(Dollars in thousands)

Terminalling and Storage Segment	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010**
Revenues:				
Services	$ 20,375	$ 17,739	$ 39,476	$ 34,961
Products	19,391	9,505	37,936	18,625
Total revenues	39,766	27,244	77,412	53,586
Cost of products sold	18,290	8,962	35,780	17,408
Operating expenses	12,939	9,767	25,254	20,284
Selling, general and administrative expenses	92	2	176	61
Depreciation and amortization	4,745	4,145	9,285	8,156
	3,700	4,368	6,917	7,677
Other operating income	(577)	—	(577)	—
Operating income	$ 3,123	$ 4,368	$ 6,340	$ 7,677

Natural Gas Services Segment	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010**
Revenues:				
NGLs	$ 146,487	$ 111,265	$ 301,787	$ 264,276
Natural gas	10,920	11,785	20,936	22,780
Non-cash mark-to-market adjustment of commodity derivatives	642	470	819	418
Gain (loss) on cash settlements of commodity derivatives	(156)	205	(156)	282
Other operating fees	1,305	1,059	3,023	2,257
Total revenues	159,198	124,784	326,409	290,013
Cost of products sold:				
NGLs	143,259	108,031	291,848	255,314
Natural gas	10,401	11,525	20,121	22,318
Total cost of products sold	153,660	119,556	312,069	277,632
Operating expenses	2,116	2,001	4,226	3,767
Selling, general and administrative expenses	1,783	2,375	3,634	4,276
Depreciation and amortization	1,525	1,198	3,040	2,389
	114	(346)	3,440	1,949
Other operating income	—	—	—	—
Operating income (loss)	$ 114	$ (346)	$ 3,440	$ 1,949

Sulfur Services Segment	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010**
Revenues:				
Services	$2,850	$ —	$5,700	$ —

Products	74,083	42,878	130,991	77,287
Total revenues	76,933	42,878	136,691	77,287
Cost of products sold	59,983	31,705	104,515	56,531
Operating expenses	4,966	4,000	9,657	8,236
Selling, general and administrative expenses	857	877	1,743	1,774
Depreciation and amortization	1,700	1,523	3,322	3,046
	9,427	4,773	17,454	7,700
Other operating income	675	—	675	—
Operating income	$10,102	$4,473	$18,129	$7,700

Marine Transportation Segment	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010**
	(In thousands)		**(In thousands)**	
Revenues	$ 19,351	$ 19,200	$ 40,790	$ 38,198
Operating expenses	16,505	14,132	33,531	28,607
Selling, general and administrative expenses	518	353	907	967
Depreciation and amortization	3,339	3,120	6,604	6,300
	(1,011)	1,595	(252)	2,324
Other operating income (loss)	—	(57)	—	45
Operating income (loss)	$ (1,011)	$ 1,538	$ (252)	$ 2,369

MARTIN MIDSTREAM PARTNERS L.P.

DISTRIBUTABLE CASH FLOW

Unaudited Non-GAAP Financial Measure

(Dollars in thousands)

	Three months Ended June 30, 2011	**Six months Ended June 30, 2011**
Net income	$ 8,770	$ 16,092
Adjustments to reconcile net income to distributable cash flow:		
Depreciation and amortization	11,309	22,251
(Gain) loss on sale of property, plant and equipment	714	714
Amortization of debt discount	87	175
Amortization of deferred debt issuance costs	1,251	2,390
Deferred taxes	(29)	(32)
Payments of installment notes payable and capital lease obligations	(276)	(543)
Distribution equivalents from unconsolidated entities1	4,310	8,319
Invested cash in unconsolidated entities2	(1,338)	(2,823)
Equity in earnings of unconsolidated entities	(2,792)	(5,169)
Non-cash mark-to-market on derivatives	(2,801)	(2,346)
Non-cash operating lease expense	72	72
Payments for plant turnaround costs	(49)	(2,044)
Maintenance capital expenditures	(3,589)	(8,936)

Unit-based compensation	59	96
Distributable cash flow	$ 15,698	$ 28,216

1 Distribution equivalents from unconsolidated entities:		
Distributions from unconsolidated entities	$ —	$ —
Return of investments from unconsolidated entities	1,225	1,285
Distributions in-kind from equity investments	3,085	7,034
Distributions equivalents from unconsolidated entities	$ 4,310	$ 8,319

2 Invested cash in unconsolidated entities:		
Distributions from (contributions to) unconsolidated entities for operations	$ (2,862)	$ (6,512)
Expansion capital expenditures in unconsolidated entities	1,524	3,689
Invested cash in unconsolidated entities	$ (1,338)	$ (2,823)

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