MAGELLAN MIDSTREAM PARTNERS LP
Form 424B2
January 14, 2019
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-223097

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price	Registration Fee(1)
4.850% Senior Notes Due 2049	$500,000,000	$60,600

(1) The filing fee, calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended, has been transmitted to the Securities and Exchange Commission with the securities offered from Registration Statement File No. 333-223097 by means of this prospectus supplement.

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Prospectus supplement

To prospectus dated February 20, 2018

$500,000,000

4.850% Senior Notes due 2049

This is an offering by Magellan Midstream Partners, L.P. of $500 million aggregate principal amount of 4.850% Senior Notes due 2049. Interest will be payable on the notes semi-annually in arrears on February 1 and August 1 of each year. The notes will mature on February 1, 2049. Interest on the notes will accrue from January 18, 2019, and the first interest payment on the notes will be due on August 1, 2019.

We may redeem some or all of the notes at any time or from time to time at the applicable redemption price described in this prospectus supplement under the caption *Description of Notes Optional redemption*.

The notes will be our senior unsecured obligations and will rank equally with all of our existing and future unsecured senior debt, including borrowings under our revolving credit facility and commercial paper program, and senior to any future subordinated debt that we may incur.

Investing in the notes involves risks, including those that are described in the Risk Factors section beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying base prospectus, the Information Regarding Forward-Looking Statements section beginning on page S-41 of this prospectus supplement and on page 4 of the accompanying base prospectus, as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2017.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Public offering price(1)	**Underwriting discount**	**Proceeds, before expenses, to**

			Magellan(1)
Per note	99.371%	0.875%	98.496%
Total	$ 496,855,000	$ 4,375,000	$ 492,480,000

(1) Plus accrued interest from January 18, 2019, if settlement occurs after that date.
The notes are a new issue of securities with no established trading market. We do not currently intend to apply for listing of the notes on any securities exchange or to be quoted on any automated quotation system.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking S.A. and Euroclear Bank SA/NV, as operator of the Euroclear System, on or about January 18, 2019.

Joint book-running managers

J.P. Morgan

Mizuho Securities

RBC Capital Markets

SMBC Nikko

US Bancorp

Co-managers

Barclays

Citigroup

PNC Capital Markets LLC

SunTrust Robinson Humphrey

Wells Fargo Securities

The date of this prospectus supplement is January 11, 2019.

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Prospectus supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of notes. The second part is the accompanying base prospectus, which gives more general information about the securities we may offer from time to time. Generally when we refer only to the prospectus, we are referring to both parts combined.

If the information about the offering varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying base prospectus and any free writing prospectus filed by us with the Securities and Exchange Commission (the SEC). Neither we nor the underwriters have authorized anyone to provide you with different or additional information. We and the underwriters are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying base prospectus and any free writing prospectus is accurate as of any date other than the dates shown in those documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

None of Magellan Midstream Partners, L.P., the underwriters or any of their respective representatives is making any representation to you regarding the legality of an investment in the notes by you under applicable laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of an investment in the notes.

As used in this prospectus supplement and the accompanying base prospectus, unless we indicate otherwise, the terms our, we, us and similar terms refer to Magellan Midstream Partners, L.P., together with its subsidiaries.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying base prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. Please read Risk Factors beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying base prospectus, as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2017 for more information about important factors that you should consider before purchasing notes in this offering.

Magellan Midstream Partners, L.P.

We were formed as a limited partnership under the laws of the State of Delaware in August 2000 to own, operate and acquire a diversified portfolio of complementary energy assets. We are principally engaged in the transportation, storage and distribution of refined petroleum products and crude oil. As of September 30, 2018, our asset portfolio, including the assets of our joint ventures, consisted of:

- our refined products segment, comprised of our 9,700-mile refined products pipeline system with 53 terminals as well as 26 independent terminals not connected to our pipeline system and our 1,100-mile ammonia pipeline system;

- our crude oil segment, comprised of approximately 2,200 miles of crude oil pipelines, our condensate splitter and storage facilities with an aggregate storage capacity of approximately 33 million barrels, of which 21 million barrels are used for contract storage; and

- our marine storage segment, consisting of five marine terminals located along coastal waterways with an aggregate storage capacity of approximately 26 million barrels.

Our principal executive offices are located in One Williams Center, Tulsa, Oklahoma 74172 and our phone number is (918) 574-7000.

Partnership structure and management

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. Our general partner, which is also a wholly owned subsidiary, has sole responsibility for conducting our business and managing our operations. Our general partner has a non-economic general partner interest in us and does not receive a management fee or other compensation in connection with its management of our business.

The following table describes our current ownership structure. The percentages reflected in the table, other than the general partner interest, represent approximate ownership interests in us.

Ownership of Magellan Midstream Partners, L.P.	Percentage interest

Public common units	99.8%
Officer and director common units	0.2%
General partner interest	0.0%
Total	100.0%

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The Offering

Issuer	Magellan Midstream Partners, L.P.
Securities	$500 million aggregate principal amount of 4.850% Senior Notes due 2049.
Maturity date	February 1, 2049.
Interest payment dates	Interest will be payable on the notes semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2019.
	Interest on the notes will accrue from January 18, 2019.
Use of proceeds	We intend to use the net proceeds from this offering, together with cash on hand, to redeem our $550 million 6.55% senior notes due 2019 (2019 notes). Any remaining net proceeds will be used for general partnership purposes.
	As of December 31, 2018, we had approximately $552.0 million in aggregate principal amount and accrued interest of the 2019 notes outstanding.
	Certain of the underwriters or their respective affiliates may be holders of the 2019 notes and may receive proceeds from the redemption of the 2019 notes. Please see *Use of Proceeds* on page S-12 and *Underwriting* on page S-35.
Optional redemption	We may redeem some or all of the notes at any time or from time to time prior to maturity.
	If we elect to redeem the notes prior to August 1, 2048 (the date that is six months prior to the maturity date of the notes (the Par Call Date)), we will pay an amount equal to the greater of 100% of the principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payments of principal and interest on the notes that would be due if the notes matured on the Par Call Date, but for the

	redemption, plus a make-whole premium.
	On or after the Par Call Date, we will pay an amount equal to 100% of the principal amount of the notes to be redeemed. We will pay accrued and unpaid interest, if any, on the notes redeemed to, but excluding, the redemption date. See *Description of Notes Optional redemption*.
Subsidiary guarantees	Our subsidiaries will not initially guarantee the notes. In the future, however, we will cause any of our subsidiaries that subsequently guarantee or become a co-obligor in respect of any of our funded debt to equally and ratably guarantee the notes offered hereby.

Ranking	The notes will be our senior unsecured obligations and will rank equally with all of our other existing and future unsecured senior debt, including borrowings under our revolving credit facility and commercial paper program, and senior to any future subordinated debt that we may incur.
	We conduct substantially all of our business through our subsidiaries. The notes will be structurally subordinated to all existing and future debt and other liabilities, including trade payables, of any of our non-guarantor subsidiaries. As of December 31, 2018, our subsidiaries had no debt for borrowed money.
Certain covenants	We will issue the notes under an indenture, with U.S. Bank National Association, as trustee. The indenture does not limit the amount of unsecured debt we may incur. The indenture contains limitations on, among other things, our ability to: incur debt secured by certain liens; engage in certain sale-leaseback transactions; and consolidate, merge or dispose of all or substantially all of our assets.
Additional issuances	We may, at any time, without the consent of the holders of the notes, issue additional notes having the same interest rate, maturity and other terms as the notes offered hereby (except for the issue date, the public offering price and, if applicable, the first interest payment date). Any additional notes having such similar terms, together with the notes offered hereby, will constitute a single series under the indenture.
Risk factors	Please read *Risk Factors* beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying base prospectus, as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2017, for a discussion of factors you should carefully consider before investing in the notes.
Governing law	The notes and the indenture governing the notes will be governed by the laws of the State of New York.
Trustee, Paying Agent, Registrar	U.S. Bank National Association.

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Summary financial and operating data

The following table sets forth our summary financial and operating data as of and for the years ended December 31, 2015, 2016 and 2017 and as of September 30, 2018 and for the nine months ended September 30, 2017 and 2018. This financial data was derived from our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2017 and from our unaudited consolidated financial statements and related notes included in our Quarterly Report on Form 10-Q for the period ended September 30, 2018. The financial data set forth below should be read in conjunction with those consolidated financial statements and the notes thereto, which are incorporated by reference into this prospectus supplement and the accompanying base prospectus and have been filed with the SEC. The other data and operating statistics have been derived from our financial records.

We believe that investors benefit from having access to the same financial measures utilized by management. In the following tables, we present the financial measure of distributable cash flow, which is not prepared in accordance with generally accepted accounting principles (GAAP). Our partnership agreement requires that all of our available cash, less amounts reserved by our general partner s board of directors, be distributed to our limited partners on a quarterly basis. Management uses distributable cash flow to determine the amount of cash our operations generated that is available for distribution to our limited partners (before any reserves established by our general partner s board of directors) and for recommending to our general partner s board of directors the amount of cash distributions to be paid each period. We also use distributable cash flow as the basis for calculating our equity-based incentive pay. A reconciliation of distributable cash flow to net income, the nearest comparable GAAP measure, is included in the following tables.

In addition to distributable cash flow, the non-GAAP measures of operating margin (in the aggregate and by segment) and adjusted EBITDA are presented in the following tables. We compute the components of operating margin and adjusted EBITDA using amounts that are determined in accordance with GAAP. Reconciliations of operating margin to operating profit and adjusted EBITDA to net income, which are the nearest comparable GAAP financial measures, are included in the following tables. Reconciliations of segment operating margin to segment operating profit are included in our Annual Report on Form 10-K for the year ended December 31, 2017 and our Quarterly Report on Form 10-Q for the period ended September 30, 2018. Operating margin is an important measure of the economic performance of our core operations. Operating profit, alternatively, includes depreciation and amortization expense and general and administrative expense that management does not consider when evaluating the core profitability of an operation. Adjusted EBITDA is an important measure utilized by management and the investment community to assess the financial results of an entity.

Since the non-GAAP measures presented here include adjustments specific to us, they may not be comparable to similarly-titled measures of other companies.

(dollars in thousands, except per unit amounts)	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
Income statement data:					
Transportation and terminals revenue	$ 1,544,746	$ 1,591,119	$ 1,731,775	$ 1,272,845	$ 1,392,960
Product sales revenue	629,836	599,602	758,206	548,634	552,792
Affiliate management fee revenue	13,871	14,689	17,680	12,883	15,138

Total revenue	2,188,453	2,205,410	2,507,661	1,834,362	1,960,890
Operating expenses	523,650	528,672	577,978	442,254	475,256
Cost of product sales	447,273	493,338	635,617	440,670	473,781
Earnings of non-controlled entities	(66,483)	(78,696)	(120,994)	(78,173)	(130,843)
Operating margin	1,284,013	1,262,096	1,415,060	1,029,611	1,142,696

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(dollars in thousands, except per unit amounts)	Year ended December 31, 2015	2016	2017	Nine months ended September 30, 2017	2018
Depreciation and amortization expense	$ 166,812	$ 178,142	$ 196,630	$ 146,103	$ 161,726
General and administrative expense	149,948	147,165	165,717	120,876	147,235
Operating profit	967,253	936,789	1,052,713	762,632	833,735
Interest expense, net	143,177	165,410	193,718	143,061	153,721
Gain on sale of asset			(18,505)	(18,505)	(353,797)
Gain on exchange of interested in non-controlled entity		(28,144)			
Other (income) expense	2,618	(6,466)	4,139	3,762	10,299
Income before provision for income taxes	821,458	805,989	873,361	634,314	1,023,512
Provision for income taxes	2,336	3,218	3,830	2,678	3,659
Net income	$ 819,122	$ 802,771	$ 869,531	$ 631,636	$ 1,019,853
Basic net income per limited partner unit	$ 3.60	$ 3.52	$ 3.81	$ 2.77	$ 4.47
Diluted net income per limited partner unit	$ 3.59	$ 3.52	$ 3.81	$ 2.77	$ 4.46
Balance sheet data:					
Working capital deficit(a)	$ (374,218)	$ (111,262)	$ (224,671)		$ (455,057)
Total assets	$ 6,041,567	$ 6,772,073	$ 7,394,375		$ 7,595,668
Long-term debt, net	$ 3,189,287	$ 4,087,192	$ 4,273,518		$ 3,718,607
Partners capital	$ 2,021,736	$ 2,092,105	$ 2,129,653		$ 2,547,420
Cash distribution data:					
Cash distributions declared per unit(b)	$ 3.01	$ 3.32	$ 3.59	$ 2.67	$ 2.87
Cash distributions paid per unit(b)	$ 2.92	$ 3.25	$ 3.52	$ 2.62	$ 2.82

(Footnotes appear on page S-7)

(dollars in thousands)	Year ended December 31, 2015	2016	2017	Nine months ended September 30, 2017	2018
Other data:					
Operating margin					
Refined products	$ 778,514	$ 723,588	$ 825,746	$ 609,511	$ 617,438
Crude oil	381,819	408,327	465,386	323,583	433,559

Marine storage	119,829	125,226	118,654	92,564	87,240
Allocated partnership depreciation costs(c)	3,851	4,955	5,274	3,913	4,459
Operating margin	$ 1,284,013	$ 1,262,096	$ 1,415,060	$ 1,029,611	$ 1,142,696
Adjusted EBITDA and distributable cash flow:					
Net income	$ 819,122	$ 802,771	$ 869,531	$ 631,636	$ 1,019,853
Interest expense, net	143,177	165,410	193,718	143,061	153,721
Depreciation and amortization expense	166,812	178,142	196,630	146,103	161,726
Equity-based incentive compensation expense(d)	6,461	4,982	6,766	308	15,327
Loss on sale and retirement of assets					