

Keyera Corp. Announces 2018 Second Quarter Results

CALGARY, Aug. 8, 2018 /CNW/ - Keyera Corp. (TSX:KEY) ("Keyera") announced its second quarter 2018 financial results today, the highlights of which are included in this news release. The entire news release can be viewed by visiting Keyera's website at www.keyera.com, or, to view the MD&A and financial statements, visit either Keyera's website or Keyera's filings on SEDAR at www.sedar.com.

HIGHLIGHTS

- Keyera delivered strong financial results in the second quarter of 2018 with adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA")¹ of \$210 million, compared to \$133 million reported in the second quarter of the previous year.
- Net earnings for the period were \$107 million (\$0.52 per share) compared to \$67 million (\$0.36 per share) in the second quarter of 2017.
- The Gathering and Processing segment recorded operating margin of \$64 million (Q2 2017 – \$67 million) in the second quarter. Even though processing volumes increased over the same period last year, the three scheduled turnarounds and weak natural gas prices reduced operating margin in the quarter.
- The Liquids Infrastructure segment reported operating margin of \$77 million (Q2 2017 – \$67 million) for the quarter, as new assets such as the Norlite diluent pipeline and the Base Line Terminal generated incremental operating margin.
- The Marketing segment's operating margin was \$74 million (Q2 2017 – \$21 million), while realized margin^{1,2} was \$90 million (Q2 2017 – \$23 million), largely due to a higher contribution from iso-octane sales.
- Distributable cash flow¹ was \$156 million or \$0.75 per share (Q2 2017 – \$108 million or \$0.57 per share), resulting in a payout ratio of 56%¹ for both the second quarter and year to date.
- Keyera is increasing its monthly dividend by 7% from \$0.14 per share to \$0.15, or \$1.80 per share annually. The dividend is effective with the August dividend payable on September 17, 2018.
- Keyera continued to increase its presence in the liquids-rich Montney, announcing the Pipestone plant, the second phase of the Wapiti plant and an expansion at the Simonette plant. Once completed, these three gas plants will provide 950 million cubic feet of gross sour gas processing capacity and 90,000 barrels per day of condensate handling capacity.
- During the quarter, Keyera continued to execute on its strategy in the United States with two new assets. Keyera announced it is developing the Wildhorse Terminal, a crude oil storage and blending project at Cushing, Oklahoma, and acquired the Oklahoma Liquids Terminal, a nearby logistics and liquids blending facility. The Oklahoma Liquids Terminal is now generating incremental cash flow, while the Wildhorse Terminal is expected to be in service by mid-2020, based on the current schedule.
- Keyera expects to invest growth capital of between \$1.0 billion and \$1.1 billion in 2018, including the acquisition of Keyera's 50% interest in the South Grand Rapids diluent pipeline. In

addition, Keyera has made acquisitions of \$222 million in the first half of 2018. Keyera continues to maintain a strong balance sheet and is well positioned to fund its growth capital program.

- 1 Keyera uses certain "Non-GAAP Measures" such as Adjusted EBITDA, Distributable Cash Flow, Distributable Cash Flow per Share and Payout Ratio. See section titled "Non-GAAP Financial Measures", "Dividends: Distributable Cash Flow" and "EBITDA" of the MD&A for further details.
- 2 Realized margin is a "Non-GAAP Measure" and excludes the effect of non-cash gains and losses from risk management contracts.

Summary of Key Measures (Thousands of Canadian dollars, except where noted)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net earnings	106,773	67,062	194,488	163,404
Per share (\$/share) – basic	0.52	0.36	0.94	0.87
Cash flow from operating activities	100,926	1,769	289,315	220,390
Distributable cash flow ¹	155,781	107,569	310,683	228,251
Per share (\$/share) ¹	0.75	0.57	1.51	1.22
Dividends declared	86,882	77,400	173,187	151,525
Per share (\$/share)	0.42	0.41	0.84	0.81
Payout ratio % ¹	56%	72%	56%	66%
Adjusted EBITDA ²	209,906	133,234	399,269	281,439
Gathering and Processing:				
Gross processing throughput (MMcf/d)	1,532	1,441	1,559	1,426
Net processing throughput (MMcf/d)	1,175	1,130	1,206	1,119
Liquids Infrastructure:				
Gross processing throughput ³ (Mbb/d)	160	175	173	168
Net processing throughput ³ (Mbb/d)	76	62	79	59
AEF iso-octane production volumes (Mbb/d)	15	11	14	10
Marketing:				
Inventory value	238,132	158,004	238,132	158,004
Sales volumes (Bbl/d)	134,600	127,900	147,700	134,200
Acquisitions	212,355	2,770	222,355	57,857
Growth capital expenditures	254,300	151,311	493,093	326,036
Maintenance capital expenditures	23,077	10,316	29,089	17,038
Total capital expenditures	489,732	164,397	744,537	400,931
Weighted average number of shares outstanding – basic and diluted	206,646	187,445	205,960	186,869
	As at June 30,			
	2018		2017	
Long-term debt	2,095,481		1,417,537	
Credit facility	—		375,000	
Working capital surplus ⁴	(140,770)		(19,907)	
Net debt	1,954,711		1,772,630	
Common shares outstanding – end of period	207,347		188,041	

Notes:

- 1 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow. Payout ratio and distributable cash flow are not standard measures under Generally Accepted Accounting Principles ("GAAP"). See the section titled, "Dividends: Distributable Cash Flow", for a reconciliation of distributable cash flow to its most closely related GAAP measure.
- 2 Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, accretion, impairment expenses, unrealized gains/losses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. EBITDA and Adjusted EBITDA are not standard measures under GAAP. See section of the MD&A titled "EBITDA" for a reconciliation of Adjusted EBITDA to its most closely related GAAP measure.
- 3 Fractionation throughput in the Liquids Infrastructure segment is the aggregation of volumes processed through the fractionators and the de-ethanizers at the Keyera and Dow Fort Saskatchewan facilities.
- 4 Working capital is defined as current assets less current liabilities.

Message to Shareholders

Keyera's network of interconnected gas plants, pipelines and facilities, as well as our marketing services, continued to generate impressive results in the second quarter of 2018. Adjusted EBITDA was \$210 million, representing an increase of 58% from the same quarter last year, while distributable cash flow was \$156 million, or \$0.75 per share, increasing 32% on a per share basis over the second quarter of 2017. Net earnings were \$107 million compared to \$67 million recorded in the same quarter last year.

Our results reflect the strength of our integrated business model and contributions from our growth capital program. During the quarter, we announced a number of capital investments to advance both our liquids-rich Montney strategy and our U.S. strategy focused on major liquids hubs. In 2018 we expect to invest between \$1.0 billion and \$1.1 billion in growth capital, including the acquisition of the South Grand Rapids diluent pipeline. With a disciplined strategy, strategically located assets and a strong balance sheet, Keyera is well positioned to continue to create shareholder value.

Gathering and Processing Business Unit

In the Gathering and Processing business unit, operating margin for the second quarter of 2018 was \$64 million, slightly below the \$67 million reported in the same period of 2017, as scheduled maintenance turnarounds and weak natural gas prices reduced throughput volumes at certain facilities.

Overall, our gross processing throughput volumes remain stable as producers remain active in areas rich in natural gas liquids. At our Simonette plant, in particular, we have set a new quarterly record for throughput volumes as producers continue to develop the liquids-rich Montney geological zone. To meet the growing needs of producers, we are expanding the processing capacity of our Simonette plant by 150 million cubic feet per day to 450 million cubic feet per day. The expansion is expected to be completed by the fourth quarter of 2019 for approximately \$85 million, making Simonette Keyera's largest gas plant.

To build out our footprint in the liquids-rich Montney regions of northwestern Alberta, we continue to progress the development of our Wapiti plant and the North Wapiti Pipeline System. Construction is well underway on phase one of the plant that will deliver 150 million cubic feet per day of gas processing capacity. Both projects are expected to be completed in mid-2019. We are also pleased to have approved the second phase of the Wapiti plant, which will add another 150 million cubic feet per day of gas processing capacity. Phase two is being developed in connection with the development plans of our two major customers in the area and is expected to be completed in mid-2020. In total, the Wapiti plant will provide 300 million cubic feet per day of sour gas processing capacity and 25,000 barrels per day of condensate handling facilities for an estimated capital cost of \$705 million. In addition, we have finalized the water disposal solution to provide a full suite of services for area producers.

To further advance our liquids-rich Montney strategy, in April we announced a significant infrastructure development with Encana to support its condensate focused Montney development in the Pipestone area. In a joint effort, Keyera and Encana will develop a liquids hub and a natural gas processing and liquids stabilization plant. Keyera will own the infrastructure and receive processing fees from Encana under a long-term fee-for-service arrangement. The 14,000 barrels per day liquids hub is expected to start up in the fourth quarter of 2018, while the Pipestone plant is scheduled for completion in 2021, assuming timely receipt of regulatory approvals. The plant will provide 200 million cubic feet per day of sour gas processing capacity and an additional 24,000 barrels per day of condensate handling facilities for an estimated capital cost of between \$500 million and \$600 million.

We are pleased to be proceeding with these plans at our Simonette, Wapiti and Pipestone plants. When completed, these three plants will provide 950 million cubic feet per day of sour gas processing capacity and 90,000 barrels per day of condensate handling facilities in one of the most attractive geological developments in the Western Canada Sedimentary Basin.

Liquids Business Unit – Liquids Infrastructure Segment

The Liquids Infrastructure segment generated operating margin of \$77 million in the second quarter of 2018, which represents a 14% increase over the same period in the prior year. This was primarily due to incremental margin from the startup of the Norlite diluent pipeline in mid-2017 and the initial

tanks of the Base Line Terminal earlier this year. Both projects are backed by long-term take-or-pay contracts, providing Keyera with stable fee-for-service cash flows.

During the quarter, we announced two new terminals to advance our investment strategy in the United States, where we are selectively extending our liquids infrastructure into major liquids hubs. At Cushing, Oklahoma Keyera is constructing the Wildhorse Terminal ("Wildhorse"), a crude oil storage and blending facility with 4.5 million barrels of working storage capacity once completed. The terminal will provide significant opportunities to capture marketing margins through the use of our blending, logistics and commercial expertise while being backed by fee-for-service storage contracts. An affiliate of Lama Energy Group is a 10% owner in the project and has the option to increase its ownership to up to 30% by the end of 2018. Keyera will operate Wildhorse once it is in service, which is expected by mid-2020.

In June, we acquired the Oklahoma Liquids Terminal, which receives, blends and delivers diluent by pipeline from the Mont Belvieu area to the Chicago area and ultimately into the Alberta market. This terminal also leverages our blending, logistics and commercial expertise to provide significant opportunities to capture marketing margins. The terminal is situated approximately 50 miles from our Wildhorse development, providing opportunities for operational and commercial synergies. These assets, along with our Hull Terminal, provide Keyera the foundation to execute a strategy in the U.S. that is consistent with our proven strategy in Canada.

Liquids Business Unit – Marketing Segment

The Marketing segment reported impressive quarterly results with an operating margin of \$74 million compared to \$21 million in the same quarter of 2017. Excluding the effect of unrealized gains and losses from risk management contracts, the realized margin was \$90 million compared to \$23 million in the second quarter of last year. During the quarter, our iso-octane business benefited from higher sales volumes with AEF operating above name plate capacity, compared to 82% in the same period last year due to an unplanned outage. We also generated strong premiums on iso-octane sales due to short-term demand. Our condensate and liquids blending businesses were strong contributors to the quarter as well.

Outlook

Keyera continues to serve our customers' needs while growing cash flows. Since the beginning of the year, we have completed a number of projects, including the first six tanks at the Base Line Terminal, the Keylink and Hull NGL pipeline systems, enhancements at our Simonette plant and the acquisition of the Oklahoma Liquids Terminal. Looking forward, we have a significant capital program underway that will continue to add new cash flows and is aligned with our strategy. Projects such as the Keylink NGL gathering system and the South Grand Rapids diluent pipeline continue to enhance the connectivity of our infrastructure. Our development plans at the Simonette, Wapiti and Pipestone plants are increasing our presence in the liquids-rich Montney and Duvernay, while our Hull, Wildhorse and Oklahoma Liquids terminals are providing the foundation to build a business in the U.S. focused on major liquids hubs. We believe investments in these three strategic areas will continue to grow our business and deliver long-term shareholder value.

Given the strength of the business, we are increasing our monthly dividend 7% to \$0.15 per share, or \$1.80 per share annually. This extends Keyera's track record of consistent dividend increases since going public in 2003 and shows our commitment to providing shareholders with stable long-term dividend growth

On behalf of Keyera's board of directors and management team, I would like to thank our employees, customers, shareholders and other stakeholders for their continued support.

David G. Smith

ABOUT KEYERA

Keyera Corp. (TSX:KEY) operates an integrated Canadian-based midstream business with extensive interconnected assets and depth of expertise in delivering midstream energy solutions. Its predominantly fee-for-service based business consists of natural gas gathering and processing; natural gas liquids processing, transportation, storage and marketing; iso-octane production and sales; and an industry-leading condensate system in the Edmonton/Fort Saskatchewan area of Alberta. Keyera strives to provide high quality, value-added services to its customers across North America and is committed to conducting its business ethically, safely and in an environmentally and financially responsible manner.

DISCLAIMER

Certain statements contained in this news release contain forward-looking statements. These statements relate to future events or Keyera's future performance. Such statements are predictions only and actual events or results may differ materially. The use of words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "plan", "intend", "believe", and similar expressions, including the negatives thereof, is intended to identify forward-looking statements. All statements other than statements of historical fact contained in this document are forward-looking statements.

The forward-looking statements reflect management's current beliefs and assumptions with respect to such things as the outlook for general economic trends, industry trends, commodity prices, capital markets, and the governmental, regulatory and legal environment. In some instances, this news release may also contain forward-looking statements attributed to third party sources. Management believes that its assumptions and analysis in this news release are reasonable and that the expectations reflected in the forward-looking statements contained herein are also reasonable. However, Keyera cannot assure readers that these expectations will prove to be correct.

All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events, levels of activity and achievements to differ materially from those anticipated in the forward-looking statements. Such factors include but are not limited to: general economic, market and business conditions; access to capital and debt markets; operational matters, including potential hazards inherent in our operations; risks arising from co-ownership of facilities; activities of other facility owners; access to third party facilities, competitive action by other companies; activities of producers and other customers and overall industry activity levels; changes in gas composition; pipeline product specification changes; fluctuations in commodity prices and supply/demand trends; processing and marketing margins; effects of weather conditions; availability of construction crews and materials; fluctuations in interest rates; ability to maintain current credit ratings; foreign currency exchange rates; changes in operating and capital costs, including fluctuations in input costs; actions by governmental authorities; compliance with regulatory requirements; decisions or approvals of administrative tribunals; changes in environmental and other regulations; reliance on key personnel; competition for, among other things, capital, acquisition opportunities and skilled personnel; changes in tax laws, including the effects that such changes may have on shareholders, and in particular any differential effects relating to shareholder's country of residence; and other factors, many of which are beyond the control of Keyera, some of which are discussed in this news release and in Keyera's Annual Information Form dated February 15, 2018, filed on SEDAR at www.sedar.com and available on the Keyera website at www.keyera.com.

Proposed construction and completion schedules and budgets for capital projects are subject to many variables, including weather; availability and prices of materials; labour; customer project schedules and expected in service dates; contractor productivity; contractor disputes; quality of cost

estimating; decision processes and approvals by joint venture partners; changes in project scope at the time of project sanctioning; regulatory approvals, conditions or delays (including possible intervention by third parties); and macro socio-economic trends. Pipeline projects are also subject to Keyera's ability to secure the necessary rights of way; and underground cavern development is dependent on sufficient water supply. As a result, expected timing, costs and benefits associated with these projects may differ materially from the descriptions in this news release. Further, some of the projects discussed in this news release are subject to securing sufficient producer/customer interest and may not proceed if sufficient commitments are not obtained. Typically, the earlier in the engineering process that projects are sanctioned, the greater the likelihood that the schedule and budget may change. Expected closing of acquisitions and financings are subject to satisfaction of closing conditions which may vary depending on the nature of the transactions. Acquisitions may be subject to rights of first refusal and other third party consents.

Readers are cautioned that they should not unduly rely on the forward-looking statements in this news release. Further, readers are cautioned that the forward-looking statements in this document speak only as of the date of this news release.

Any statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.

All forward-looking statements contained in this news release are expressly qualified by this cautionary statement. Such statements speak only as of the date hereof. Further information about the factors affecting forward-looking statements and management's assumptions and analysis thereof, is available in filings made by Keyera with Canadian provincial securities commissions, which can be viewed on SEDAR at www.sedar.com.

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