



Keyera Announces 2019 Third Quarter Results

CALGARY, Nov. 5, 2019 /CNW/ - Keyera Corp. (TSX: KEY) ("Keyera") announced its 2019 third quarter 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 impressive financial results in the third quarter of 2019, with each key financial metric well above our results from the same period last year, reflecting strong demand for our integrated service offering and new capital projects completed over the last twelve months.
- Adjusted earnings before finance costs, taxes, depreciation and amortization ("Adjusted EBITDA")¹ was a record \$269 million (Q3 2018 – \$160 million). Distributable cash flow¹ was \$184 million or \$0.85 per share (Q3 2018 – \$127 million or \$0.61 per share) while net earnings were \$153 million or \$0.71 per share (Q3 2018 – \$35 million or \$0.17 per share).
- The Gathering and Processing segment recorded operating margin of \$75 million in the third quarter (Q3 2018 – \$64 million), as Keyera's new Wapiti gas plant began operating in May. This plant supports liquids-rich Montney production in northwestern Alberta where producers continue to focus their capital investment.
- The Liquids Infrastructure segment generated a record operating margin of \$98 million (Q3 2018 – \$82 million) as new assets such as the Base Line Terminal earned incremental margin compared to the same period last year. In addition, with producers focused on liquids-rich production, Keyera's fractionation, storage and condensate handling system assets remain in high demand.
- The Marketing segment delivered operating margin of \$138 million (Q3 2018 – \$70 million) and a record realized margin^{2,3} of \$116 million (Q3 2018 – \$43 million). These impressive results were largely due to a higher contribution from iso-octane sales. Keyera expects the Marketing segment to generate realized margin between \$320 million and \$350 million in 2019, compared to previous guidance of \$280 million to \$320 million.
- Keyera currently has a significant capital program underway that extends secured growth out to 2022. During the quarter, the Simonette gas plant expansion and the North Wapiti Pipeline System ("NWPS") were completed. With the NWPS operating, a second producer is now delivering volumes to the Wapiti gas plant.
- Keyera expects to invest between \$800 million and \$900 million in growth capital in 2019 and between \$700 million and \$800 million in 2020, excluding acquisitions. A significant portion of the investment next year relates to the Pipestone gas plant and the KAPS liquids pipeline system.
- With a strong balance sheet and payout ratio¹ of 67% year to date, Keyera expects to fund its current growth capital programs without issuing common equity, aside from the existing DRIP program.

¹ Keyera uses certain "Non-GAAP Measures" such as adjusted EBITDA, funds from operations, distributable cash flow, distributable cash flow per share and payout ratio. See section titled "Non-GAAP Financial Measures", "Dividends: Funds from Operations and 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 commodity-related risk management contracts.

³ With the adoption of IFRS 16, Leases on January 1, 2019, the Marketing segment financial results are not directly comparable between periods. Refer to the unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2019 and related MD&A for further information.

Summary of Key Measures (Thousands of Canadian dollars, except where noted)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net earnings	153,219	34,684	406,465	229,172
Per share (\$/share) – basic	0.71	0.17	1.91	1.11
Cash flow from operating activities	259,229	69,382	674,259	358,697
Funds from operations ¹	227,403	135,418	553,383	476,629
Distributable cash flow ¹	183,807	127,044	435,323	437,727
Per share (\$/share) ¹	0.85	0.61	2.04	2.12
Dividends declared	101,198	91,645	292,582	264,832
Per share (\$/share)	0.47	0.44	1.37	1.28
Payout ratio % ¹	55%	72%	67%	61%
Adjusted EBITDA ²	268,933	159,816	682,714	559,085
Gathering and Processing:				
Gross processing throughput (MMcf/d)	1,414	1,478	1,500	1,531
Net processing throughput (MMcf/d)	1,135	1,149	1,193	1,186
Liquids Infrastructure:				
Gross processing throughput ³ (Mbb/d)	169	183	174	175
Net processing throughput ³ (Mbb/d)	74	79	81	79
AEF iso-octane production volumes (Mbb/d)	14	14	13	14
Marketing:				
Inventory value	134,076	305,673	134,076	305,673
Sales volumes (Bbl/d)	130,900	147,800	140,900	147,700
Acquisitions	—	105,240	549	327,595
Growth capital expenditures	207,661	213,797	732,403	706,890
Maintenance capital expenditures	27,500	8,374	75,345	37,463
Total capital expenditures	235,161	327,411	808,297	1,071,948
Weighted average number of shares outstanding – basic and diluted	215,016	208,037	213,258	206,660
As at September 30,				
			2019	2018
Long-term debt			2,557,271	2,086,460
Credit facility			—	40,000
Working capital deficit (surplus) ⁴			79,052	24,164
Net debt			2,636,323	2,150,624
Common shares outstanding – end of period			215,914	208,757

Notes:

- 1 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow. Payout ratio, funds from operations, and distributable cash flow are not standard measures under Generally Accepted Accounting Principles ("GAAP"). See the section titled, "Dividends: Funds from Operations and Distributable Cash Flow", for a reconciliation of funds from operations and distributable cash flow to the most closely related GAAP measure.
- 2 Adjusted EBITDA is defined as earnings before finance costs, taxes, depreciation, amortization, 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 the 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 delivered impressive financial results in the third quarter of 2019 reflecting the value of our integrated business and new capital projects completed over the last twelve months. Our Gathering and Processing segment processed 1.4 billion cubic feet of natural gas per day during the quarter and provided the Liquids Infrastructure and Marketing segments with volumes to earn additional fees, which contributed to their record results. With all three business segments performing well, Keyera delivered record adjusted EBITDA of \$269 million, while distributable cashflow increased 39% to \$0.85 per share compared to the same period last year and net earnings increased by more than four times to \$0.71 per share.

Keyera is on track to deliver another year of strong operational and financial performance. Our four plant turnarounds were completed safely and according to plan. Our capital program is progressing safely and according to schedule and budget. With continued growth in liquids-rich natural gas production and oil sands production, our fractionation, transportation, storage and marketing services all remain in high demand.

Gathering and Processing Operations

Our Gathering and Processing operations are the foundation of our integrated value chain, providing volumes to our liquids Infrastructure assets and marketing business where we generate incremental cash flow. In the third quarter, the Gathering and Processing segment operating margin was \$75 million, representing a 17% increase over the same period last year. Although our net natural gas processing volumes were down 1%, our operating margin increased. This was primarily due to processing additional liquids at the Wapiti gas plant that began operating in May 2019 and the Pipestone Liquids Hub we acquired last year.

Over the past few years we have been focused on building our footprint in northwestern Alberta to support the liquids-rich Montney and Duvernay developments, and we are seeing the benefits of these investments. With the completion of the North Wapiti Pipeline System, the Wapiti gas plant is now generating revenue from both anchor customers. Our ongoing capital projects in the Wapiti and Pipestone areas remain on schedule and on budget, extending our secured growth in the near term.

Liquids Infrastructure Operations

In the third quarter, the Liquids Infrastructure segment generated record results with operating margin of \$98 million, which represents a 19% increase over the same period last year. These results were driven by the Base Line Terminal that was completed in the fall of 2018 and growing demand for our liquids infrastructure assets in the Edmonton/Fort Saskatchewan area. As producers continue to focus on liquids-rich gas developments in Western Canada there is strong demand for our fractionator, storage cavern and condensate system capacity.

Our industry-leading condensate system continues to provide impressive returns on our invested capital. As our system has the most condensate supply and delivery options, as well as significant cavern storage, the system handles the majority of condensate transported to the oil sands. We expect demand for our system to remain strong as we continue to move additional volumes on the Norlite pipeline and producers continue to grow their production.

Marketing Services

Marketing adds value to our integrated business by effectively utilizing Keyera's infrastructure to earn additional margin on the products we handle. During the quarter, the Marketing business generated an operating margin of \$138 million and a record realized margin of \$116 million. Marketing's results were primarily driven by the contribution from iso-octane sales, due to strong margins and higher sales volumes.

As market fundamentals continue to support strong iso-octane margins into the fourth quarter, we now expect Marketing realized margin for 2019 to be between \$320 million and \$350 million. This represents significant free cash flow that we can reinvest into infrastructure to grow our fee-for-service business.

Business Development

Keyera has a significant capital program underway that extends our secured growth into 2022. During the quarter we completed the expansion at Simonette and advanced the second phase of the Wapiti gas plant and the Pipestone gas plant. Once the Pipestone gas plant is completed in early 2021, Keyera will be one of the largest gas processing and condensate handling companies in this region with our fee-for-services revenues backed by a combination of take-or-pay commitments, revenue guarantees and areas of dedication.

In the first half of 2022, we plan to connect these gas plants as well as other third-party facilities to KAPS, a NGL and condensate pipeline system. KAPS is a strategic investment for Keyera, as it will provide a competitive liquids transportation alternative connecting gathering and processing assets in

the liquids-rich Montney and Duvernay developments in northwestern Alberta to our liquids infrastructure assets in Fort Saskatchewan.

With stronger integration, we can provide services more efficiently and expect to attract additional volumes to our gas plants, fractionators, storage caverns and condensate system. These additional volumes provide us with opportunities for significant future investment, within our areas of expertise.

Keyera has a track record of responsible growth, investing in projects that generate strong rates of return on our invested capital while maintaining a healthy balance sheet. We will maintain our disciplined investment approach as we continue to grow, ensuring that we are creating long-term value for our shareholders.

Outlook

While producer activity has been strong in the liquids-rich Montney and Duvernay developments, drilling activity in west central Alberta has been weak, due to prolonged low natural gas prices. This has translated into a challenging environment for producers at some of Keyera's gas plants in the region. Although we are encouraged by improving AECO gas fundamentals, we will manage factors within our control to provide the most competitive services and profitability for Keyera. As a result, we are reviewing various alternatives to optimize our Gathering and Processing operations that may include consolidating throughput volumes at certain facilities. Our goal is to improve the utilization and profitability of these facilities, which should lead to lower per unit operating costs and ultimately translate into higher netbacks for producers.

Even with the challenges our producers and industry are currently facing, we believe in the future of Canadian oil and gas. The world needs Canadian oil and gas to responsibly meet growing demand and transition to cleaner sources of energy. Canada is one of the most responsible energy producing countries in the world with significant resources that are amongst the most economical developments in North America. With Keyera's strong values and integrated network of midstream assets, we are well positioned to be an important part of this evolution.

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
President & Chief Executive Officer
Keyera Corp.

THIRD QUARTER RESULTS CONFERENCE CALL AND WEBCAST

Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the financial results for the third quarter of 2019 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on November 6, 2019. Callers may participate by dialing either 888-231-8191 or 647-427-7450. An audio recording of the call will be available for replay until 10:00 p.m. Mountain Time on November 22, 2019 by dialing 855-859-2056 or 416-849-0833 and entering pass code 9439456.

Internet users can listen to the call live on Keyera's website at www.keyera.com/news/events. Shortly after the call, an audio archive will be posted on the website for 90 days.

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.

FORWARD-LOOKING STATEMENTS

In order to provide readers with information regarding Keyera, including its assessment of future plans, operations and financial performance, certain statements contained herein (and in the documents incorporated by reference) are forward-looking. These forward-looking 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, forward-looking statements may be attributed to third party sources. Management believes that its assumptions and analysis 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 to fund capital requirements and future growth plans; 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 customers, including the performance of contractual obligations by customers and demand for services aligned with production profiles; oil sands development activity 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 MD&A and in Keyera's Annual Information Form dated February 21, 2019, 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); Keyera's ability to secure adequate land rights and water supply; and macro socio-economic trends. As a result, expected timing, costs and benefits associated with these projects may differ materially from the descriptions contained herein. Further, some of the projects discussed 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.

In addition to the factors referenced above, Keyera's expectations with respect to future returns associated with: (i) the growth capital projects that have been sanctioned and are in development as of the date hereof, and (ii) the KAPS project, are based on a number of assumptions, estimates and projections that have been developed based on past experience and anticipated trends, including but not limited to: capital cost estimates assuming no material unforeseen costs; timing for completion of growth capital projects; customer performance of contractual obligations; reliability of production profiles; commodity prices, margins and volumes; tax and interest rates; availability of capital at attractive prices; and no changes in regulatory or approval requirements, including no delay in securing any outstanding regulatory approvals.

All forward-looking statements contained herein or in the accompanying documents are expressly qualified by this cautionary statement. Readers are cautioned that they should not unduly rely on these forward-looking statements and that the information contained in the forward-looking statements may not be appropriate for other purposes. Further, readers are cautioned that the forward-looking statements in this document speak only as of the date hereof. Keyera does not undertake any obligation to update forward-looking statements except as required by securities law.

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.

ADDITIONAL INFORMATION

For further information about Keyera, please visit our website at www.keyera.com or contact:

Lavonne Zdunich, Director, Investor Relations,
Calvin Locke, Manager, Investor Relations, or
Beata Graham, Senior Analyst, Investor Relations
Email: ir@keyera.com; Telephone: 403.205.7670 / Toll Free: 888.699.4853

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