

Tidewater Midstream and Infrastructure Ltd. Announces Third Quarter 2018 Results and Operational Update

CALGARY, Nov. 13, 2018 /CNW/ - Tidewater Midstream and Infrastructure Ltd. ("**Tidewater**" or the "**Corporation**") (TSX: TWM) is pleased to announce that it has filed its condensed interim consolidated financial statements and Management's Discussion and Analysis ("**MD&A**") for the three-month period ended September 30, 2018.

Recent Highlights

- Tidewater delivered another quarter of Adjusted EBITDA growth of \$17.3 million or \$0.05 per share for the third quarter of 2018 compared to \$15.3 million or \$0.05 per share for the same period in 2017.
- Cash flow from operating activities totalled \$7.3 million, an increase of \$5.6 million over the third quarter of 2017.
- Distributable cash flow increased by approximately 23% to \$12.9 million for the third quarter of 2018 compared to \$10.5 million for the same period in 2017 yielding a conservative payout ratio of 26% for the quarter (25% year to date).
- On October 18, 2018 Tidewater received approval from the Alberta Energy Regulator to construct and operate the Pipestone Montney, Sour Deep-Cut Gas Processing Complex.
- On October 30, 2018 Tidewater also received approval from the Alberta Energy Regulator to construct and operate a 120 km natural gas pipeline connecting Tidewater's Brazeau River Complex ("**BRC**") to TransAlta Corporation's generating units at Sundance and Keephills.
- Tidewater has executed approximately ten crude oil infrastructure agreements to date to deliver crude oil to end markets including direct to three refiners.
- During the third quarter of 2018, the Corporation amended its existing Credit Facility with its banking syndicate which increased the total availability from \$250 million to \$325 million and contains adjustments to the Corporation's previous pricing grid, which is expected to reduce overall borrowing costs. The amendments provide additional liquidity to the Corporation's financial position.
- Tidewater remains confident in its ability to execute its operational direction as previously disclosed.

Selected financial and operating information is outlined below and should be read with Tidewater's condensed interim consolidated financial statements and related MD&A as at and for the three-month period ended September 30, 2018 which are available at www.sedar.com and on our website at www.tidewatermidstream.com.

Financial Overview

Consolidated Financial Highlights

(In thousands of Canadian dollars, except per share information)

Three months
ended
September 30,

Nine months
ended
September 30,

	2018	2017	2018	2017
Revenue	\$ 80,102	\$ 52,003	\$ 233,550	\$ 157,682
Net income (loss)	\$ (1,453)	\$ (38)	\$ 6,176	\$ 12,351
Basic and diluted income (loss) attributable to shareholders per share	\$ (0.00)	\$ (0.00)	\$ 0.02	\$ 0.04
Adjusted EBITDA ¹	\$ 17,283	\$ 15,346	\$ 56,499	\$ 44,586
Adjusted EBITDA per common share - basic ¹	\$ 0.05	\$ 0.05	\$ 0.17	\$ 0.14
Cash flow from (used in) operating activities	\$ 7,251	\$ 1,649	\$ (1,017)	\$ 31,351
Distributable cash flow ²	\$ 12,911	\$ 10,509	\$ 39,965	\$ 32,622
Distributable cash flow per common share - basic ²	\$ 0.04	\$ 0.03	\$ 0.12	\$ 0.10
Dividends declared	\$ 3,293	\$ 3,290	\$ 9,876	\$ 9,866
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03
Total common shares outstanding (000s)	329,313	328,973	329,313	328,973
Payout ratio ³	26%	31%	25%	30%
Total assets	\$ 1,093,936	\$ 692,073	\$ 1,093,936	\$ 692,073
Net debt ⁴	\$ 317,162	\$ 73,094	\$ 317,162	\$ 73,094

Notes:

- Adjusted EBITDA is calculated as net income (loss) before interest, taxes, depreciation, share-based compensation, unrealized gains/losses, non-cash items, transaction costs and items that are considered non-recurring in nature. Adjusted EBITDA per common share is calculated as Adjusted EBITDA divided by the weighted average number of common shares outstanding for the three-month period ended September 30, 2018. Adjusted EBITDA and Adjusted EBITDA per common share are not standard measures under GAAP. See "Non-GAAP Measures" in the Corporation's MD&A for a reconciliation of Adjusted EBITDA and Adjusted EBITDA per common share to their most closely related GAAP measures.
- Distributable cash flow is calculated as net cash used in operating activities before changes in non-cash working capital and after any expenditures that use cash from operations. Distributable cash flow per common share is calculated as distributable cash flow over the weighted average number of common shares outstanding for the three-month period ended September 30, 2018. Distributable cash flow and distributable cash flow per common share are not standard measures under GAAP. See "Non-GAAP Measures" in the Corporation's MD&A for a reconciliation of distributable cash flow and distributable cash flow per common share to their most closely related GAAP measures.
- Payout Ratio is calculated by expressing dividends declared to shareholders for the period as a percentage of distributable cash flow attributable to shareholders. This measure, in combination with other measures, is used by the investment community to assess the sustainability of the current dividends. Payout Ratio is not a standard measure under GAAP. See "Non-GAAP Financial Measures" in the Corporation's MD&A for a reconciliation of Payout Ratio to its most closely related GAAP measure.
- Net debt is defined as current liabilities, plus bank debt and notes payable, less current assets. Net Debt is not a standard measure under GAAP. See "Non-GAAP Measures" in the Corporation's MD&A for a reconciliation of Net Debt to its most closely related GAAP measure.

OUTLOOK AND CORPORATE UPDATE

Tidewater continues to position itself to provide producers additional egress solutions and improved pricing for their products in a challenging commodity price environment by developing and connecting its infrastructure in order to access additional end markets.

Overall, while gas processing volumes remained under pressure compared to the first quarter of 2018, Tidewater moved significant NGL volumes and generated incremental fee for service revenue from its gas storage assets during the third quarter. The Corporation also began entering into new crude oil infrastructure contracts where the benefits to Tidewater's earnings will be visible in 2019. Tidewater is pleased with the progress on its two largest projects, including regulatory approval for both the Pipestone Plant and Intra-Alberta Pipeline to TransAlta, in which both projects will provide producers with much needed egress solutions for natural gas, NGLs and condensate.

Crude Oil Infrastructure

Tidewater is aggressively growing its crude oil infrastructure business and has received significant support from producers and refiners. Tidewater expects it will deliver Canadian crude to approximately ten end markets by the end of Q1 2019 and continues to explore various market access opportunities including storage, terminals and pipelines. The majority of the agreements are for terms of less than 12-months, however, Tidewater intends to grow this business and negotiate longer term agreements with existing and new customers. Contribution to net income for crude oil infrastructure contracts in 2019 is expected to be approximately \$7 million - \$8 million based on an average contracted volume of 200,000 – 400,000 bbls per month at market rate loading and transportation fees to locations throughout North America. Contribution to Adjusted EBITDA is expected to be approximately \$10 million after adjusting for capitalized lease and finance costs over an average of 2-5 years.

Ram River Gas Plant

During the third quarter, Tidewater completed new tie-ins and subsequent to September 30, 2018 began accepting incremental volumes at the Ram River Plant under the previously announced five-

year take-or-pay for gas processing and sulphur handling with a mid-size oil and gas producer. The agreement is for an incremental 18 MMcf/d in the first contract year with the take-or-pay volume declining by approximately 30% year-over-year during the five-year period. Throughput at the Ram River Plant remains strong with new customers Tidewater has tied-in since the acquisition.

Brazeau River Complex

Throughput at the BRC was below its historical average for the quarter due to continued pressure on gas prices and downtime related to the turnaround and tie-in projects at the BRC. Tidewater is working diligently with producers to improve netbacks by fully utilizing BRC's facilities including its three NGL pipeline connections, truck loading and offloading, fractionation and natural gas storage facilities. During the third quarter, Tidewater installed the BRC tie-in riser for the Intra-Alberta Pipeline to TransAlta during the final turnaround operations at the BRC. The Intra-Alberta Pipeline to TransAlta will offer producers a third natural gas takeaway option directly to an end market in the second half of 2019.

Natural Gas Storage

Tidewater continued to inject customer gas under long-term contracts at the Pipestone gas storage facility through the quarter, growing the cushion gas at the facility and increasing the injection and withdrawal capability of the storage reservoir.

Tidewater also completed its previously announced \$2.5 million project at the Brazeau gas storage facility for an increased injection capability of approximately 10 MMcf/d. The Brazeau gas storage facility now has injection capability of approximately 40 – 45 MMcf/d.

Tidewater's gas storage projects remain well positioned to benefit from the low commodity price environment while acting as a natural hedge to Tidewater's core business thereby achieving its goal of offering additional egress options and improved pricing to producers.

NGL Extraction and Fractionation Facilities

During the third quarter of 2018, one of the pipelines on the Trans Canada Pipeline system that supplies natural gas to Tidewater's extraction plants experienced an approximate one-month, unplanned maintenance outage which impacted NGL sales volumes from the Corporation's Villeneuve and Fort Saskatchewan extraction plants by approximately 450 bbls/d. Despite the unplanned maintenance, Tidewater's extraction plants in the Edmonton area performed well in the quarter and together with natural gas storage continue to act as a natural hedge to low AECO prices.

Tidewater currently has approximately 100 MMcf/d of natural gas straddle volumes flowing through its extraction facilities and has been notified by Trans Canada Pipeline of the potential for curtailment or shut-in of two of the pipelines on their system due to potential pipeline integrity concerns. As a result, Tidewater may experience curtailment or shut-in natural gas volumes to the Corporation's Paddle River and Fort Saskatchewan extraction plants that could impact NGL sales during the fourth quarter of 2018.

CAPITAL PROGRAM

Pipestone Montney Sour Gas Plant

On October 18, 2018 Tidewater received approval from the Alberta Energy Regulator to construct and operate the Pipestone Plant. The Pipestone Plant is designed to process approximately 100 MMcf/d of natural gas. During the quarter, as previously announced, Tidewater executed a definitive agreement with a large oil and gas producer for firm volumes of 25 MMcf/d over a five-year term. With this additional arrangement, Tidewater is fully contracted at the Pipestone Plant.

As a result of significant producer support, Tidewater is currently evaluating a condensate liquids hub at Pipestone.

Tidewater began construction on the Pipestone Plant in late October and expects approximately \$120 - \$125 million of capital remaining to be spent between the fourth quarter of 2018 and the plants commissioning early in the third quarter of 2019. Remaining capital excludes the 32MW cogeneration units which Tidewater is considering monetizing all or a portion of. Two of the Pipestone Plant's anchor tenants, Blackbird Exploration Ltd. and Kelt Exploration Ltd., have options to exercise ownership in the facility for 20% and 15% respectively.

Contribution to net income for the Pipestone plant is expected to be approximately \$25 million - \$30 million based on plant throughput of approximately 100MMcf/d of contracted volume at market rates over a 5 – 10 year period. Estimated annual operating costs are based on plants of similar size with sour gas processing capability and similar NGL handling capability. Adjusted EBITDA contribution is expected to be approximately \$30 - \$35 million after adding back depreciation and finance costs based on a 60-year useful life.

Intra-Alberta Pipeline to TransAlta

On October 30, 2018 Tidewater received approval from the Alberta Energy Regulator to construct and operate the previously announced 120 km natural gas pipeline connecting Tidewater's BRC to TransAlta's generating units at Sundance and Keephills (the "Pipeline"). The Pipeline will have initial capacity of 130 MMcf/d which may be expanded to approximately 440 MMcf/d and is supported by a 15 year take or pay commitment from TransAlta. TransAlta has an option to acquire a 50% ownership in the project and it is likely that TransAlta will exercise its option. Tidewater expects to commence construction of the Pipeline in mid-November 2018 with total cost of the project expected to be approximately \$180 million (\$90 million net) assuming the option is exercised by TransAlta. Remaining capital costs of approximately \$140 million (\$50 million net) are expected to be incurred during the fourth quarter of 2018 through to the commissioning of the Pipeline in the third or fourth quarter of 2019.

Since executing binding construction contracts and purchase orders, following regulatory approval of the TransAlta Pipeline, and due to increasing pipeline construction activity in Alberta, Tidewater has seen an increase to base construction costs of approximately 10% bringing baseline capital costs related to the project to \$180 million.

Assuming TransAlta exercises its 50% option, contribution to net income for the TransAlta Pipeline is expected to be approximately \$8 - \$9 million based on throughput of approximately 130MMcf/d of contracted volume at market rate tolls over a 15-year period. Estimated annual operating costs for the pipeline are based on other pipelines within Tidewater's currently owned infrastructure of similar size and flows rate capability. Adjusted EBITDA contribution is expected to be approximately \$10 million after adding back depreciation and finance costs based on a 60 year useful life.

Tidewater remains fully funded with its existing credit facility and cash flow from operations to fund its capital program through the end of 2019.

About Tidewater

Tidewater is traded on the TSX under the symbol "TWM". Tidewater's business objective is to build a diversified midstream and infrastructure company in the North American natural gas and natural gas liquids ("**NGL**") space. Its strategy is to profitably grow and create shareholder value through the acquisition and development of oil and gas infrastructure. Tidewater plans to achieve its business objective by providing customers with a full service, vertically integrated value chain through the acquisition and development of oil and gas infrastructure including: gas plants, pipelines, railcars, trucks, export terminals and storage facilities.

Additional information relating to Tidewater is available on SEDAR at www.sedar.com and at www.tidewatermidstream.com.

Advisory Regarding Forward-Looking Statements

Certain statements contained in this news release constitute forward-looking statements and forward-looking information (collectively, "forward-looking statements"). Such forward-looking statements relate to possible events, conditions or financial performance of the Corporation based on future economic conditions and courses of action. All statements other than statements of historical fact are forward-looking statements. The use of any words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "will likely result", "are expected to", "will continue", "is anticipated", "believes", "estimated", "intends", "plans", "projection", "outlook" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes there is a reasonable basis for the expectations reflected in the forward-looking statements, however no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this news release should not be unduly relied upon by investors.

Specifically, this news release contains forward-looking statements relating to but not limited to: planned commissioning in Q2 of 2019 of Tidewater's planned Pipestone area plant and projections with respect to contracting capacity at this proposed plant and net income to be derived therefrom; expectations regarding funding of capital projects; planned commissioning in mid 2019 of Tidewater's planned Pipestone area 100 MMcf/d sour, deep-cut Montney plant, estimated commissioning date and net income to be derived therefrom; projections regarding future delivery of crude oil to end markets and impact to earnings and adjusted EBITDA in 2019; potential curtailment or shut-in of natural gas volumes to the Corporation's straddle plants and the predicted impact to NGL sales; expectations regarding the Intra-Alberta Pipeline to TransAlta including projected capital costs, specifications, planned in-service date and estimates of net income and Adjusted EBITDA; Tidewater's expectations that TransAlta will exercise its option to acquire an ownership interest in the Intra-Alberta Pipeline to TransAlta; expectations regarding performance of NGL extraction and natural gas storage operations; and, expectations regarding funding of capital projects;

Such forward-looking statements of information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this document, assumptions have been made regarding, among other things: general economic and industry trends; oil and gas industry expectation and development activity levels; the success of the Corporation's operations; future natural gas, crude oil and NGL prices; the Corporation's ability to obtain and retain qualified staff and equipment in a timely and cost-effective manner; the impact of increasing competition; receipt of regulatory approvals; that counterparties will comply with contracts in a timely manner; that there are no unforeseen material costs relating to the facilities which are not recoverable from customers; funds flow from operations and cash flow consistent with expectations; future capital expenditures to be made by the Corporation; the ability to obtain additional financing on satisfactory terms; the ability of Tidewater to successfully market its products; the Corporation's future debt levels and the ability of the Corporation to repay its debt when due; foreign currency, exchange and interest rates; that any third-party projects relating to the Corporation's growth projects will be sanctioned and completed as expected; the amount of future liabilities relating to lawsuits and environmental incidents and the availability of coverage under the Corporation's insurance policies; anticipated timelines and budgets being met in respect of the Corporation's projects and operations; the ability of the Corporation to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its evaluations and activities.

Actual results achieved will vary from the information provided herein as a result of numerous known

and unknown risks and uncertainties and other factors including but not limited to: general economic, political, market and business conditions, including fluctuations in interest rates, foreign exchange rates and stock market volatility; activities of producers and customers, the regulatory environment and decisions and First Nations and landowner consultation requirements; operational matters, including potential hazards inherent in the Corporation's operations and the effectiveness of health, safety, environmental and integrity programs; fluctuations in commodity prices, inventory levels and supply/demand trends; actions by governmental authorities, including changes in government regulation, tariffs and taxation; changes in operating and capital costs, including fluctuations in input costs; changes in environmental and other regulations; competition for, among other things, business, capital, acquisition opportunities, requests for proposals, materials, equipment, labour and skilled personnel; environmental risks and hazards, including risks inherent in the transportation of NGLs which may create liabilities to the Corporation in excess of the Corporation's insurance coverage, if any; non-performance or default by counterparties to agreements which the Corporation or one or more of its subsidiaries has entered into in respect of its business; construction and engineering variables associated with capital projects, including the availability of contractors, engineering and construction services, accuracy of estimates and schedules, and the performance of contractors; the availability of capital on acceptable terms; changes in the credit-worthiness of counterparties; changes in the political environment and public opinion; risks and liabilities associated with the transportation of dangerous goods; risks and liabilities resulting from derailments; effects of weather conditions; reputational risks; reliance on key personnel; technology and security risks; potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which the Corporation is reliant; technical and processing problems, including the availability of equipment and access to properties; changes in gas composition; and failure to realize the anticipated benefits of recently completed acquisitions.

The foregoing lists are not exhaustive. Additional information on these and other factors which could affect the Corporation's operations or financial results are included in the Corporation's most recent Annual Information Form and in other documents on file with the Canadian Securities regulatory authorities.

The above summary of assumptions and risks related to forward-looking statements in this news release is intended to provide shareholders and potential investors with a more complete perspective on Tidewater's current and future operations and such information may not be appropriate for other purposes. There is no representation by Tidewater that actual results achieved will be the same in whole or in part as those referenced in the forward-looking statements and Tidewater does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities law.

Future Oriented Financial Information

Any financial outlook or future-oriented financial information, as defined by applicable securities legislation, has been approved by management of Tidewater as of November 12, 2018. Financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and goals relating to the future of Tidewater. Readers are cautioned that reliance on such information may not be appropriate for other purposes. The purpose of the future oriented financial information contained herein including but not limited to future periods, of net income and Adjusted EBITDA is to assist investors, shareholders, and others in understanding certain financial metrics relating to expected future financial results for the purpose of evaluating the performance of Tidewater's business for future periods. This information may not be appropriate for other purposes. The results and conclusions of these assessments, along with the known and unknown risks, uncertainties and other factors referred to above, could impact Tidewater's estimates and the information related to such future periods contained herein and any such impact could be material.

Non-GAAP Measures

This news release refers to "Adjusted EBITDA" which do not have any standardized meaning prescribed by generally accepted accounting principles in Canada ("GAAP"). Adjusted EBITDA is calculated as income or loss before interest, taxes, depreciation, share-based compensation, unrealized gains/losses, non-cash items, transaction costs and items that are considered non-recurring in nature.

Tidewater Management believes that Adjusted EBITDA provide useful information to investors as they provide an indication of results generated from the Corporation's operating activities prior to financing, taxation and non-recurring/non-cash impairment charges occurring outside the normal course of business. Management utilizes Adjusted EBITDA to set objectives and as a key performance indicator of the Corporation's success. In addition to its use by Management, Tidewater also believes Adjusted EBITDA is a measure widely used by security analysts, investors and others to evaluate the financial performance of the Corporation and other companies in the midstream industry. Investors should be cautioned that Adjusted EBITDA should not be construed as alternatives to earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of the Corporation's performance and may not be comparable to companies with similar calculations.

For more information with respect to financial measures which have not been defined by GAAP, including reconciliations to the closest comparable GAAP measure, see the "Non-GAAP Measures" section of Tidewater's most recent MD&A which is available on SEDAR.

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