Keyera Corp. Announces 2020 First Quarter Results

CALGARY, May 12, 2020 - Keyera Corp. (TSX: KEY) ("Keyera") announced its 2020 first 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 had a strong start to the year, reporting record adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA")[1] of $327 million in the first quarter (Q1 2019 – $164 million), record distributable cash flow[1] of $253 million or $1.16 per share (Q1 2019 – $108 million or $0.75 per share) and net earnings[2] of $86 million or $0.39 per share (Q1 2019 – $35 million or $0.17 per share).
- Keyera's first quarter results were largely driven by its Liquids Infrastructure and Marketing segments. The Liquids Infrastructure segment achieved record results generating $102 million in operating margin (Q1 2019 – $94 million) due to increased demand for Keyera's condensate transportation and storage services.
- The Marketing segment delivered operating margin of $246 million (Q1 2019 – loss of $18 million) and realized margin[3] of $165 million (Q1 2019 – $22 million[3]). These record results were largely due to higher contributions from iso-octane sales and an effective risk management strategy. Keyera continues to expect the Marketing segment realized margin for 2020 to range between $270 million and $310 million.
- The Gathering and Processing segment reported operating margin of $64 million (Q1 2019 – $68 million) and was affected by lower gas processing volumes due to reduced producer activity year over year and unscheduled repair work at the Wapiti gas plant.
- Keyera maintains its strong financial position, with a net debt to adjusted EBITDA[1] ratio of 2.2x as of March 31, 2020, a conservative year to date payout ratio[1] of 42%, two investment grade corporate credit ratings, access to a $1.5 billion line of credit ($70 million drawn as of March 31, 2020), and minimal long-term debt maturities over the next five years.
- Keyera continues to take measures to ensure its business is positioned for the long term, including advancing its gathering and processing optimization plan and reducing its overall cost structure. Keyera recently announced it is decreasing its 2020 capital program following a decision to defer construction of the KAPS pipeline system for approximately one year. Regulatory activities will continue throughout 2020 for KAPS, positioning construction to begin in the second half of 2021.
- Keyera now expects to invest growth capital of between $475 million and $525 million in 2020. (Previously, Keyera expected to invest between $700 million and $800 million.) With a reduced capital program, Keyera suspended both the regular and premium components of its Dividend Reinvestment Plan.
- Keyera's capital projects remain on budget and are progressing well. All major projects under construction are expected to be operational in the second half of this year, including the second phase of the Wapiti gas plant, the Pipestone gas plant, and the Wildhorse crude oil storage and blending terminal in Cushing, Oklahoma.

[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] Net earnings for 2019 have been restated. Refer to the "Voluntary Change in Accounting Policy" section of the MD&A for further details.

[3] Realized margin is a "Non-GAAP Measure" and excludes the effect of non-cash gains and losses from commodity-related risk management contracts.

Summary of Key Measures (Thousands of Canadian dollars, except where noted)	Three months ended March 31, **2020**	 2019
Net earnings[1]	**85,608**	34,952
Per share[1] ($/share) – basic	**0.39**	0.17
Cash flow from operating activities	**316,684**	223,809
Funds from operations[2]	**286,348**	128,566
Distributable cash flow[2]	**253,039**	107,948
Per share ($/share)[2]	**1.16**	0.51
Dividends declared	**105,212**	95,299
Per share ($/share)	**0.48**	0.45
Payout ratio %[2]	**42%**	88%
Adjusted EBITDA[3]	**327,115**	164,410
Gathering and Processing:		
Gross processing throughput (MMcf/d)	**1,386**	1,616
Net processing throughput (MMcf/d)	**1,142**	1,299
Liquids Infrastructure:		
Gross processing throughput[4] (Mbbl/d)	**163**	180
Net processing throughput[4] (Mbbl/d)	**80**	91
AEF iso-octane production volumes (Mbbl/d)	**14**	12
Marketing:		
Inventory value	**57,710**	184,703
Sales volumes (Bbl/d)	**171,000**	150,600
Acquisitions	**—**	217
Growth capital expenditures	**210,614**	290,549
Maintenance capital expenditures	**8,208**	7,358
Total capital expenditures	**218,822**	298,124
Weighted average number of shares outstanding – basic and diluted	**218,860**	211,480

	As at March 31, **2020**	 2019
Long-term debt	**2,587,197**	2,105,229
Credit facility	**70,000**	260,000
Working capital deficit (surplus)[5]	**101,476**	116,071
Net debt	**2,758,673**	2,481,300
Common shares outstanding – end of period	**219,905**	212,368

Notes:

1 Net earnings for 2019 have been restated. Refer to the "Voluntary Change in Accounting Policy" section of the MD&A.

2 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.

3 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 section of the MD&A titled "EBITDA" for a reconciliation of adjusted EBITDA to its most closely related GAAP measure.

4 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.

5 Working capital is defined as current assets less current liabilities.

Message to Shareholders

This is a time of extraordinary circumstances and uncertainty for society and the world economy. The unfolding COVID-19 crisis, along with low global oil prices, have had severe consequences for our industry. While the full extent will be unknown for some time, at Keyera we are focusing on what we can control and taking prudent steps to address the short-term challenges and enhance the long-term success of the company and our customers.

We remain committed to the highest standard of safety performance and are taking the appropriate precautions to support the health and well-being of our employees and contractors and continue to operate our facilities reliably. Employees continue to work from home where possible, and we have measures in place at our facilities to limit the potential spread of COVID-19, and contingency plans in place to ensure we can continue to operate safely and reliably.

We believe our strong financial position allows us to maintain the stability and continuity of the business during this unprecedented economic situation. We have a strong balance sheet, two investment grade credit ratings and over $1.4 billion in undrawn capacity on our committed line of credit. As well, only approximately 15% of our long-term debt is due within the next 5 years.

We are being attentive to our customers' needs and their challenges. We recognize that we provide an essential service to our customers and are working with them to develop solutions that are mutually beneficial.

To enhance Keyera's competitive positioning, we continue to advance our gathering and processing optimization plan and to date have announced plans to suspend operations at five of our gas plants. This was a difficult decision, as several of these plants have been part of Keyera's portfolio for many years. However, these optimization efforts will strengthen our gathering and processing business for the long term, aligning with our customers' needs, the current industry environment and our environmental efforts to reduce our overall greenhouse gas emissions.

To maintain our financial flexibility, we have reduced our 2020 capital program with the decision to defer construction of the KAPS pipeline system for approximately one year. We now expect to invest growth capital of between $475 million to $525 million in 2020. With this decision, we have suspended our dividend reinvestment program.

In parallel with our gathering and processing optimization plan and reduced capital program, we are reviewing alternatives to further reduce our overall cost structure, including both operating costs and general and administrative expenses. In support of this initiative, Keyera's officer team and Board of Directors have agreed to reductions in their compensation.

With the actions we have recently taken, I am confident that we will navigate through this challenging time and emerge stronger once the industry recovers.

Our strong first quarter financial results are an indication of the strength of our business model. We achieved record adjusted EBITDA of $327 million and record distributable cash flow of $253 million, or $1.16 per share. Our net earnings were $86 million, or $0.39 per share.

Gathering and Processing Operations

The Gathering and Processing segment delivered operating margin of $64 million in the first quarter, affected by reduced producer activity. While Keyera's fee-for-service business is not directly exposed to commodity prices, our gathering and processing facilities are affected by lower volumes resulting from reduced capital investment by producers. We appreciate that we provide an essential service to our customers and we are working with them to find mutually beneficial solutions to help them navigate through this cycle.

Liquids Infrastructure Operations

The Liquids Infrastructure segment continued to generate strong results, reporting a record operating margin of $102 million in the first quarter of 2020, which represents an 8% increase over the same period last year. These results were driven by strong demand for our condensate storage and transportation services. The volume of condensate delivered to the oil sands increased by 28% over the same period last year and 9% over the fourth quarter of 2019.

However, in April several oil sands producers announced production cuts following the sharp decline in global oil prices. As a result, demand for condensate has dramatically decreased resulting in lower volumes flowing through Keyera's condensate system. While we continue to monitor the situation, at this time we do not expect a material financial impact in 2020 as we have long-term, take-or-pay arrangements in place with multiple major oil sands producers.

As the market tries to balance the supply and demand of condensate and other natural gas liquids, the need for storage has increased significantly. In April, we placed a new cavern into service and now have 15.5 million barrels of underground storage capacity that we expect will be highly utilized and earn strong revenues in 2020. Keyera has the largest underground storage position in the Fort Saskatchewan area, and we continue to expand to meet industry demand.

Marketing Business

The Marketing segment achieved record financial results in the first quarter of 2020, generating operating margin of $246 million and realized margin of $165 million. These results were largely due to our iso-octane business, along with our effective risk management strategy. We continue to expect the Marketing segment realized margin for 2020 to range between $270 million and $310 million.

Business Development

Keyera along with its partner, SemCAMS Midstream ULC, have agreed to defer construction of KAPS for approximately one year. Thanks to the support of our KAPS customers, all transportation agreements have been amended to align with the deferral. We look forward to having this pipeline in service in 2023, transporting our customers' liquids from the Montney to Keyera's extensive liquids infrastructure in Fort Saskatchewan.

The remaining projects in our 2020 capital program remain on budget and are progressing well. We recently completed construction of phase two of the Wapiti gas plant and are working with our Wapiti customers to determine the optimal timing for commissioning the second phase, which is to occur in the fourth quarter of this year. During the quarter, construction continued at our Wildhorse crude oil storage and blending terminal in Cushing, Oklahoma, which will provide 4.5 million barrels of storage capacity. With high demand for storage capacity, we look forward to bringing this terminal into service in the second half of this year.

The Pipestone gas plant is progressing ahead of schedule and is now expected to be operational this fall. Keyera has a 20-year infrastructure development and midstream service agreement with Ovintiv to support their condensate focused Pipestone Montney development near Grande Prairie, Alberta. This Montney development remains one of Ovintiv's top three capital investment priorities**.**

Outlook

At Keyera, our mission is Connecting Energy for Life, which remains unchanged regardless of the environment we may face. Through 20 years of operations, we have remained committed to our disciplined strategy, our safety performance and our customers' needs, and we have overcome many challenges and economic cycles. While the current situation is without precedent, I am confident that Keyera will successfully navigate the current challenges and strengthen our foundation for future 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.

Please stay safe and healthy. Take care of yourself and your loved ones. We will make it through this together.

David G. Smith
Chief Executive Officer
Keyera Corp.

FIRST QUARTER 2020 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 first quarter of 2020 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Wednesday, May 13, 2020. Callers may participate by dialing 888-231-8191. An audio recording of the call will be available for replay until end of day on May 27, 2020 by dialing 855-859-2056 or 416-849-0833 and entering pass code 6249066.

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 CORP.

Keyera Corp. (TSX:KEY) operates an integrated Canadian-based energy infrastructure business with extensive interconnected assets and depth of expertise in delivering energy infrastructure 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. Forward looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "plan", "intend", "believe", and similar expressions, including the negatives thereof. 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, the integrity and reliability of Keyera's assets, and the governmental, regulatory and legal environment. In some instances, forward-looking statements contained herein may be attributed to third party sources. Management believes that its assumptions and analysis herein are reasonable and that the expectations reflected in the forward-looking statements contained herein are also reasonable based on the information available on the date such statements were made, and the process used to prepare the information. 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: Keyera's ability to implement its strategic priorities and business plan and achieve the expected benefits; general economic, market and industry conditions; activities of customers, producers and other facility owners; operational hazards and performance; the effectiveness of Keyera's risk management programs; competition; changes in commodity composition and prices, inventory levels, supply/demand trends and other market conditions and factors; global pandemics (including COVID-19); regional or global conflicts; processing and marketing margins; climate change risks, including the effects of unusual weather and natural catastrophes; climate change effects and regulatory and market compliance and other costs associated with climate change; variables associated with capital projects, including costs and timing; fluctuations in interest, tax and foreign currency exchange rates; counterparty performance and credit risk; changes in operating and capital costs; costs and availability of financing; ability to expand, update and adapt infrastructure on a timely and effective basis; decommissioning, abandonment and reclamation costs; reliance on key personnel and third parties including joint venture partners and third-party facility owners; relationships with external stakeholders, including

Indigenous stakeholders; technology, security and cybersecurity risks; potential litigation and disputes; uninsured and underinsured losses; ability to service debt and pay dividends; changes in credit rating; reputational risks; changes in environmental and other laws and regulations; actions by government authorities; and other factors, many of which are beyond the control of Keyera, some of which are discussed herein (and in the documents incorporated by reference) and in Keyera's Annual Information Form dated February 26, 2020, filed on SEDAR at www.sedar.com and available on the Keyera website at www.keyera.com. Further, because there is interconnectivity between many of the risks Keyera faces, it is possible that different constellations of risk could materialize which could result in unanticipated outcomes or consequences.

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.

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.

Readers are cautioned that the foregoing is not exhaustive, that they should not unduly rely on these forward looking statements, that the information contained in the forward-looking statements may not be appropriate for other purposes and that the forward looking statements in this document speak only as of the date hereof. Unless required by law, Keyera does not intend and does not assume any obligation to update its forward looking statements. All forward looking statements contained herein or in the accompanying documents are expressly qualified by this cautionary statement. 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 more information about Keyera Corp., please visit our website at www.keyera.com or contact:

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