

News Release

For immediate release

August 5, 2020



Keyera Announces 2020 Second Quarter Results

CALGARY, August 5, 2020 - Keyera Corp. (TSX: KEY) ("Keyera") announced its 2020 second 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 strong results in the second quarter despite the ongoing COVID-19 pandemic and low commodity prices that continue to affect the global economy and energy industry. To date, Keyera has successfully implemented its pandemic response and business continuity plans resulting in safe and reliable operations.
- During the second quarter, Keyera made significant progress to enhance its long-term competitive positioning by reducing its overall cost structure. Keyera expects these efforts to contribute a total annual improvement in earnings before tax of between \$45 million and \$65 million, with the majority to begin in 2021.
- Keyera's capital projects are progressing well and the company now expects to invest growth capital in 2020 of between \$500 million and \$550 million. In addition, Keyera expects to invest approximately \$70 million in 2020 related to the butane distribution infrastructure at Kinder Morgan's Galena Park facility. Keyera plans to fund its 2020 capital program without issuing common equity and expects to adhere to this funding model for growth capital projects in the short to medium term.
- Keyera maintains its strong financial position, with a net debt to adjusted EBITDA¹ ratio of 2.5x as of June 30, 2020, a conservative year to date payout ratio¹ of 51%, two investment grade corporate credit ratings, access to a \$1.5 billion line of credit, and minimal long-term debt maturities over the next five years.
- During the second quarter, all three business segments performed well. The Gathering and Processing segment reported operating margin of \$69 million, similar to the same period last year (Q2 2019 – \$70 million), reflecting Keyera's strong customer relationships that helped ensure only modest volumes were shut in during the quarter.
- The Liquids Infrastructure segment generated \$100 million in operating margin (Q2 2019 – \$93 million) demonstrating the resilience of Keyera's storage, transportation and fractionation assets.
- The Marketing segment earned realized margin of \$54 million² (Q2 2019 – \$115 million) as Keyera's effective risk management program protected margins and inventory values from the sharp decline in commodity prices that began in March. Keyera now expects the Marketing segment to generate realized margin between \$300 million and \$340 million in 2020, exceeding previous guidance of \$270 million to \$310 million.
- Keyera's adjusted EBITDA¹ was \$182 million (Q2 2019 – \$249 million) and distributable cash flow² increased over the same period last year to \$158 million or \$0.71 per share (Q2 2019 – \$144 million or \$0.67 per share), resulting in a year to date payout ratio¹ of 51%. Keyera plans on maintaining its current monthly dividend of \$0.16 per share or \$1.92 per share annually.
- Net earnings³ for the second quarter were \$18 million or \$0.08 per share (Q2 2019 – \$225 million or \$1.05 per share) and included unrealized non-cash losses associated with risk management contracts from the Marketing segment, severance costs, and a lower income tax recovery than in 2019.

¹ Keyera uses certain "Non-GAAP Measures" such as EBITDA, 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 \$63 million in non-cash losses from commodity-related risk management contracts.

³ Net earnings for 2019 have been restated. Refer to the "Voluntary Change in Accounting Policy" section of the MD&A for further details.

Summary of Key Measures (Thousands of Canadian dollars, except where noted)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net earnings ¹	17,763	224,511	103,371	259,463
Per share ¹ (\$/share) – basic	0.08	1.05	0.47	1.22
Cash flow from operating activities	159,647	191,221	476,331	415,030
Funds from operations ²	177,366	197,414	463,714	325,980
Distributable cash flow ²	157,649	143,568	410,688	251,516
Per share (\$/share) ²	0.71	0.67	1.87	1.18
Dividends declared	106,091	96,085	211,303	191,384
Per share (\$/share)	0.48	0.45	0.96	0.90
Payout ratio % ²	67%	67%	51%	76%
Adjusted EBITDA ³	182,159	249,371	509,274	413,781
Gathering and Processing				
Gross processing throughput (MMcf/d)	1,261	1,471	1,323	1,543
Net processing throughput (MMcf/d)	1,029	1,146	1,085	1,222
Liquids Infrastructure				
Gross processing throughput ⁴ (Mbbbl/d)	144	173	154	176
Net processing throughput ⁴ (Mbbbl/d)	66	79	73	85
AEF iso-octane production volumes (Mbbbl/d)	12	15	13	13
Marketing				
Inventory value	102,336	131,646	102,336	131,646
Sales volumes (Bbl/d)	134,800	139,700	152,900	145,100
Acquisitions	1,630	332	1,630	549
Growth capital expenditures	127,082	234,193	337,696	524,742
Maintenance capital expenditures	6,213	40,487	14,421	47,845
Total capital expenditures	134,925	275,012	353,747	573,136
Weighted average number of shares outstanding – basic and diluted	220,851	213,239	219,855	212,364
As at June 30,				
			2020	2019
Long-term debt ⁵			2,968,703	2,688,686
Credit facility			—	—
Working capital surplus ⁶			(109,362)	(84,446)
Net debt			2,859,341	2,604,240
Common shares outstanding – end of period			221,023	214,127

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 Long-term debt includes the total value of Keyera’s hybrid notes which receive 50% equity treatment by Keyera’s rating agencies. The hybrid notes are also excluded from Keyera’s covenant test calculations related to the company’s credit facility and senior note agreements.

⁶ Working capital is defined as current assets less current liabilities.

Message to Shareholders

Our world continues to experience unprecedented challenges due to the ongoing COVID-19 pandemic and its impact on the global economy. The health and safety of our employees, customers and other stakeholders continues to be Keyera's number one priority and to date we have successfully implemented our pandemic response, resulting in continued safe and reliable operations.

Beginning in March, the energy industry was challenged not only by the pandemic but also by a sharp decrease in global oil prices. However, the global crude oil supply response was greater than initially anticipated and in June supported a recovery in commodity prices from the extreme lows experienced earlier in the year. While the economic and commodity price environment remains uncertain due to the recent surge in COVID-19 cases globally, Keyera continues to focus on what we can control and take prudent steps to address the short-term challenges and enhance the long-term success of the company and our customers. During the quarter we worked with our customers to develop mutually beneficial solutions to ensure they could continue to flow the majority of their volumes to our facilities. We maintained our strong financial position, which includes a healthy balance sheet, two investment grade credit ratings, a \$1.5 billion undrawn credit facility, and minimal long-term debt obligations in the next 5 years. We believe our financial strength will allow us to maintain the stability and continuity of the business during this unprecedented economic time, while providing us with flexibility to be opportunistic.

During the quarter, we made significant progress enhancing our competitive positioning by reducing our overall cost structure. We implemented measures to reduce both our operating and general and administrative expenses, while continuing to advance the optimization plan in our Gathering and Processing business. We expect these efforts to have a meaningful impact on our bottom line beginning in 2021 and also reduce our greenhouse gas emissions.

Our second quarter results were impressive given the challenging environment, showing the resilience of our integrated business that provides essential services to producers and is backed by secure long-term contracts. Each of our business segments performed well and we delivered adjusted EBITDA of \$182 million, distributable cash flow of \$158 million or \$0.71 per share, and net income of \$18 million or \$0.08 per share.

Given the resilience of our integrated business and the proactive steps we have taken to date, I am confident in Keyera's future. We remain committed to generating value for our shareholders and plan on maintaining our current monthly dividend.

Gathering and Processing Operations

The Gathering and Processing segment delivered steady results in the second quarter despite the low commodity price environment. We worked with our customers during this time to find short-term solutions that prevented significant volumes from being shut in. As a result, Keyera generated an operating margin of \$69 million in the Gathering and Processing segment, similar to the same period last year.

During the quarter, we continued to advance our optimization plan. We suspended operations at our Minnehik Buck Lake gas plant and recently announced plans to suspend gas processing operations at our Bigoray gas plant later this year and at our Brazeau North gas plant in 2021. To date, Keyera's optimization plan includes suspending operations at six of our gas plants in 2020 and 2021, which is expected to increase utilization in the south region from less than 50% of processing capacity to approximately 70% by the end of 2021. These decisions have been difficult, as many of the facilities have contributed to Keyera's success for decades; however, the decisions were necessary to increase the competitiveness and profitability of our gathering and processing operations.

Liquids Infrastructure Operations

Keyera's Liquids Infrastructure segment demonstrated its resilience in the second quarter, generating operating margin of \$100 million, which represents an 8% increase over the same period last year. With high take-or-pay contracts in this part of our business, our cash flow stream remained steady even though market conditions resulted in lower volumes through our fractionation capacity and condensate system. Demand for our underground storage increased during the quarter as producers contracted more capacity to improve operational flexibility during these uncertain times. We expect demand for our storage assets to continue.

Marketing Business

The Marketing segment delivered realized margin of \$54 million in the second quarter, as Keyera's effective risk management program protected margins and inventory values from the sharp decline in commodity prices that began in March. With strong contributions through the first half of the year, and an improving commodity price outlook for the remainder of the year, Keyera now expects Marketing to generate realized margin between \$300 million and \$340 million in 2020 compared to previous guidance of \$270 million to \$310 million.

Keyera's marketing services are important to our integrated business model as they allow us to access high value markets for the natural gas liquids we handle and generate free cash flow that we can reinvest into our fee-for-service business.

Business Development

We continue to advance our 2020 capital program according to plan. In September, we expect the Pipestone gas plant to begin processing volumes as our anchor customer, Orintiv, redirects its production from two other gas plants in the area. In the fourth quarter, we expect to commission phase two of the Wapiti gas plant and also begin operating the Wildhorse crude oil storage and blending terminal in Cushing, Oklahoma. These three projects substantially complete our current capital program, allowing us to focus on the development of the KAPS pipeline, which is expected to transport condensate and natural gas liquids from the Montney to our liquids infrastructure assets in Fort Saskatchewan beginning in 2023.

Keyera has a history of disciplined capital allocation, a track record we plan to continue. With the changing landscape of our industry and higher cost of capital, our goal is to ensure future investments improve the quality of Keyera's cash flows. We will focus growth in our Liquids Infrastructure segment, which has high barriers to entry and assets that serve the entire Western Canada Sedimentary Basin. We will look for investments that are backed by long-term take-or-pay contracts with credit worthy counterparties and we will adhere to a funding model that does not require the issuance of common equity for growth capital projects in the short to medium term.

Outlook

While the full extent, effect and duration of the COVID-19 pandemic continues to be unknown, Keyera continues to implement measures to ensure our long-term success. To date, we have reduced our 2020 capital program by deferring the KAPS pipeline project one year; discontinued the dividend reinvestment program; reduced our overall cost structure, including both operating costs and general and administrative expenses; and continued to advance our gathering and processing optimization plan. We have also maintained our strong financial position and demonstrated a resilient business model that delivers results in the most challenging environment.

Looking ahead, it appears that commodity prices have stabilized and are now at levels that are incenting both natural gas and oil sands producers to return their production volumes to pre-COVID levels. As a result, we expect volumes moving through our facilities to continue to recover for the remainder of 2020 and into 2021.

On the world stage, I believe Canadian energy has a long and healthy future and Keyera will be an important part of this success. Keyera's mission is "Connecting Energy for Life" and we will contribute to helping make Canada's resource industry the most responsible in the world. We are committed to reducing our environmental footprint and creating environmentally superior energy solutions for the future.

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 continue to stay safe and healthy.

David G. Smith
Chief Executive Officer
Keyera Corp.

SECOND 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 second quarter of 2020 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Thursday, August 6, 2020. Callers may participate by dialing 888-231-8191 or 647-427-7450. A recording of the call will be available for replay until 10:00 p.m. Mountain Time (12:00 a.m. Eastern Time) on August 20, 2020 by dialing 855-859-2056 or 416-849-0833 and entering pass code 2672038.

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 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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