



KEYERA

News Release

For immediate release

May 10, 2022

Keyera Corp. Announces 2022 First Quarter Results

CALGARY, May 10, 2022 - Keyera Corp. (TSX:KEY) ("Keyera") announced its 2022 first quarter financial results today, the highlights of which are included in this news release. To view the MD&A and financial statements, visit either Keyera's website or Keyera's filings on SEDAR at www.sedar.com.

First Quarter Financial Highlights

- Adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA"¹) was \$257 million, compared with \$225 million for the first quarter of 2021. The year-over-year increase was due to higher contributions from the Marketing business.
- The company realized cash flow from operating activities ("CFO") of \$457 million in the first quarter of 2022, compared with \$268 million for the same period in 2021.
- Distributable cash flow¹ ("DCF") was \$178 million in the first quarter, compared with \$165 million for the first quarter of 2021. The year-over-year increase was due to higher contributions from the Marketing business, which was partially offset by a higher cash tax expense.
- Net earnings were \$114 million for the first quarter of 2022, compared to \$86 million for the first quarter of 2021.
- Trailing-twelve-month dividend payout ratio¹ was 62%, which is within the company's targeted range of 50 to 70%.
- The company continues to preserve balance sheet strength, ending the quarter with a net debt to adjusted EBITDA ratio² of 2.5x, which is within the company's target range of 2.5 to 3.0 times.

Business Segment Highlights

- The **Gathering and Processing** ("G&P") segment delivered a realized margin^{1,3} of \$77 million, compared to \$79 million for the same period last year. This result was driven by continued strong performance at the Pipestone gas plant in the North region, and volume growth at the Brazeau, Strachan and Alder Flats facilities in the South region. Results were offset by 22-days of downtime at the Wapiti gas plant, which impacted margins by approximately \$10 million in the quarter.
- Keyera's **Liquids Infrastructure** segment delivered realized margin^{1,3} of \$105 million, consistent with the same quarter of 2021. Strong performance from the fractionation, cavern storage, and condensate transportation businesses contributed to this result.
- Keyera's **Marketing** segment contributed a realized margin^{1,3} of \$103 million, compared to \$61 million in the first quarter of 2021, supported by continued strength in commodity pricing, the company's disciplined risk management program and the continued benefit of low-cost butane supply costs from the 2021 contracting year.

KAPS Project Update

- Strong progress year to date has resulted in KAPS now being nearly 70% complete with the latest cost estimate ranging between \$800 million to \$880 million, net to Keyera. This cost estimate reflects the purchase and receipt of all the required steel pipe and the vast majority of other materials.

Updated Marketing and Cash Tax Guidance

- For 2022, realized margin for the Marketing segment is now expected to range between \$300 million and \$340 million (previously \$250 million to \$280 million) due to increased strength of motor gasoline and octane demand which benefits the company's iso-octane business.
- Cash tax expense is now expected to range between \$30 million and \$40 million (previously \$15 million to \$30 million) as a result of higher contributions from the Marketing segment.

Guidance Unchanged from Previous Disclosures

- Growth capital is expected to be between \$620 million to \$660 million, excluding capitalized interest.
- Maintenance capital expenditures are expected to range between \$100 million and \$120 million.
- For 2023 to 2025, the base guidance range for the Marketing segment is \$250 million to \$280 million. This replaces the previous base annual guidance range of between \$180 million and \$220 million. The base guidance is set at a range believed to be achievable with a high degree of confidence and is based on certain assumptions⁴.

¹ Keyera uses certain non-GAAP and other financial measures such as EBITDA, adjusted EBITDA, funds from operations, distributable cash flow, distributable cash flow per share, payout ratio, realized margin and return on invested capital. Since these measures are not standard measures under GAAP, they may not be comparable to similar measures reported by other entities. For a reconciliation of the historical non-GAAP financial measures to the most directly comparable GAAP measure, refer to the section of this news release titled "Non-GAAP and Other Financial Measures".

² Ratio is calculated in accordance with the covenant test calculations related to the company's credit facility and senior note agreements and excludes hybrid notes.

³ Realized margin is not a standard measure under GAAP and excludes the effect of \$11 million in non-cash losses from commodity-related risk management contracts. See the section of this news release titled "Non-GAAP and Other Financial Measures".

⁴ Please refer to the company's management discussion and analysis ("MD&A") for marketing guidance assumptions.

Summary of Key Measures

(Thousands of Canadian dollars, except where noted)

Three months ended

March 31,

2022 2021

Net earnings	113,794	85,825
Per share (\$/share) – basic	0.51	0.39
Cash flow from operating activities	457,052	268,429
Funds from operations ¹	197,573	181,065
Distributable cash flow ¹	178,458	164,751
Per share (\$/share) ¹	0.81	0.75
Dividends declared	106,091	106,091
Per share (\$/share)	0.48	0.48
Payout ratio % ¹	59%	64%
Adjusted EBITDA ²	257,203	224,830
Gathering and Processing		
Gross processing throughput ³ (MMcf/d)	1,513	1,402
Net processing throughput ³ (MMcf/d)	1,311	1,193
Liquids Infrastructure		
Gross processing throughput ⁴ (Mbbbl/d)	186	154
Net processing throughput ⁴ (Mbbbl/d)	91	85
AEF iso-octane production volumes (Mbbbl/d)	14	15
Marketing		
Inventory value	209,629	159,007
Sales volumes (Bbl/d)	194,900	173,500
Growth capital expenditures	243,569	48,028
Maintenance capital expenditures	7,236	3,905
Total capital expenditures	250,805	51,933
Weighted average number of shares outstanding – basic and diluted	221,023	221,023
As at March 31,		
2022 2021		
Long-term debt ⁵	3,617,508	3,281,982
Credit facility	—	—
Working capital (surplus) ⁶	(219,076)	(224,779)
Net debt	3,398,432	3,057,203
Common shares outstanding – end of period	221,023	221,023

Notes:

- Funds from operations, distributable cash flow, distributable cash flow per share and payout ratio are not standard measures under Generally Accepted Accounting Principles (“GAAP”) and therefore, may not be comparable to similar measures reported by other entities. For additional details regarding the composition of these measures, how management utilizes them, and for a reconciliation of funds from operations and distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section of this news release titled “Non-GAAP and Other Financial Measures”.
- Adjusted EBITDA is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. For additional details regarding the composition of this measure, how management utilizes it, and for a reconciliation of adjusted EBITDA to the most directly comparable GAAP measure, net earnings, refer to the section of this news release titled “Non-GAAP and Other Financial Measures”.
- Includes gas volumes and the conversion of liquids volumes handled through the processing facilities to a gas volume equivalent. Net processing throughput refers to Keyera’s share of raw gas processed at its processing facilities.
- 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.
- 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.
- Working capital is defined as current assets less current liabilities.

CEO's Message to Shareholders

Following our recent Investor Day, I want to start by reiterating the reasons why Keyera is well positioned to generate strong investment returns for decades to come.

- **Our base business is strong and will remain in high demand.** Our fully integrated business has high barriers to entry and plays an essential role in facilitating long-term energy security. Our assets serve the Montney formation, one of the lowest-cost and most potentially prolific geological plays in North America.
- **Continued focus on financial discipline.** Financial discipline has been Keyera's hallmark from the very beginning and it remains core to our success. This discipline allowed us to successfully navigate through the past two years of pandemic uncertainties.
- **We have clear visibility to near and long-term growth.** We're forecasting a 6% to 7% adjusted EBITDA compound annual growth rate ("CAGR") from 2022 to 2025 from our fee-for-service business. Additionally, our KAPS project remains on schedule to be completed in Q1 2023, which will provide a platform for further downstream growth opportunities including fractionation and storage and market access expansion.
- **Keyera's assets are uniquely positioned to create a strong energy transition business.** Our low carbon hub strategy will leverage existing assets, including a hydrogen pipeline, and our competitively advantaged land position in Alberta's Industrial Heartland near Fort Saskatchewan. We aim to leverage our expertise while collaborating with partners to decarbonize our own business and that of our customers.

We have the asset base, expertise, and competitive advantages to produce consistent value for our shareholders over the long-term. In the near-term, our business will be bolstered by soon-to-be-completed growth projects, like KAPS, and we expect continued strength in each of our business segments.

In our **Gathering & Processing** ("G&P") segment, we continue to increase our competitiveness and optimize returns. In the northern region, our Pipestone gas plant is effectively full and we are evaluating opportunities to expand its capacity. At Wapiti, we expect to be utilizing phase two capacity in the second half of the year. And in our southern G&P assets, we're seeing areas of volume growth as producers continue to increase activity while maintaining a more balanced growth approach.

Turning to the **Liquids Infrastructure** segment, we saw continued strong volumes through our industry-leading condensate system and continued high utilization across our fractionation and cavern storage businesses. With the completion of KAPS in 2023, we will provide customers with a premier offering of transportation, fractionation, storage, logistics services and access to high value markets. Our Keyera Fort Saskatchewan ("KFS") fractionator is consistently operating at nameplate capacity, and with KAPS soon to be online, we believe we are well positioned to expand our fractionation capacity, when customers are ready to contract the incremental capacity.

In the **Marketing** segment, high demand for all commodities combined with our disciplined risk management program delivered a strong contribution. Looking forward, there are several positive factors at play in this segment, including continued strong commodity pricing and strengthening motor gasoline and octane demand, which benefits our iso-octane business. Offsetting these factors for 2022 are, a higher butane feedstock supply cost which has been contracted near our 10-year average price and a 6-week turnaround at our Alberta EnviroFuels facility this fall.

Moving on to capital projects. At nearly 70% complete, the **KAPS Project** is progressing on schedule. KAPS is a game-changer for Keyera; it is the missing link in our value chain, that will connect our

Montney G&P business and other third-party facilities to our highly profitable Liquids Infrastructure business in Edmonton and Fort Saskatchewan.

Further, we have an exciting opportunity that we refer to as 'Zone 4' which would extend KAPS to the British Columbia border and connect it with a proposed 3rd party liquids gathering system, enabling the capture of liquids volumes along the entire Alberta and British Columbia Montney fairway.

On **ESG and Stakeholder Engagement**; in the fall of this year, we will be releasing our second annual ESG Report, and in the fourth quarter, we'll begin supplying 10% of our total power needs via solar energy. We also announced that we are collaborating with Shell Canada Limited ("Shell"), to develop potential low-carbon projects in Alberta's Industrial Heartland leveraging our existing assets and adjacent lands. We were pleased to see the Alberta government support the progress of carbon capture, utilization and storage ("CCUS") initiatives in the area, including Shell's Atlas Hub proposal where we believe we can play an important role.

The macro-economic backdrop for the Canadian energy industry remains robust. In the near-term there will be high demand for natural gas and natural gas liquids, driven by expanded export capacity, and continued fuel source switching for electrification. In the long-term, start-up of the LNG Canada project in 2025, growth of the petrochemical industry in Western Canada, and growth of energy transition businesses will all serve to place our basin, and our company, in a very advantageous position.

In this continued strengthening environment for our industry, Keyera remains well positioned to grow distributable cash flow on a per share basis for decades to come.

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.

Dean Setoguchi
President and Chief Executive Officer
Keyera Corp.

First Quarter 2022 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 2022 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Tuesday, May 10, 2022. Callers may participate by dialing 888-664-6392 or 416-764-8659. A recording of the call will be available for replay until 10:00 p.m. Mountain Time (12:00 a.m. Eastern Time) on May 24, 2022 by dialing 888-390-0541 or 416-764-8677 and entering pass code 524159.

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.

Additional Information

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

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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.

Non-GAAP and Other Financial Measures

This news release refers to certain financial and other measures that are not determined in accordance with Generally Accepted Accounting Principles ("GAAP") and as a result, may not be comparable to similar measures reported by other entities. Management believes that these supplemental measures facilitate the understanding of Keyera's results of operations, leverage, liquidity and financial position. These measures do not have any standardized meaning under GAAP and therefore, should not be considered in isolation, or used in substitution for measures of performance prepared in accordance with GAAP. For additional information on these non-GAAP and other financial measures, including reconciliations to the most directly comparable GAAP measures for Keyera's historical non-GAAP financial measures, refer below and to Management's Discussion and Analysis available on SEDAR at www.sedar.com and Keyera's website at www.keyera.com.

Funds from Operations and Distributable Cash Flow ("DCF")

Funds from operations is defined as cash flow from operating activities adjusted for changes in non-cash working capital. This measure is used to assess the level of cash flow generated from operating activities excluding the effect of changes in non-cash working capital, as they are primarily the result of seasonal fluctuations in product inventories or other temporary changes. Funds from operations is

also a valuable measure that allows investors to compare Keyera with other infrastructure companies within the oil and gas industry.

Distributable cash flow is defined as cash flow from operating activities adjusted for changes in non-cash working capital, inventory write-downs, maintenance capital expenditures and lease payments, including the periodic costs related to prepaid leases. Distributable cash flow per share is defined as distributable cash flow divided by weighted average number of shares – basic. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends.

The following is a reconciliation of funds from operations and distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities:

Funds from Operations and Distributable Cash Flow <i>(Thousands of Canadian dollars)</i>	For the three months ended	
	March 31,	
	2022	2021
Cash flow from operating activities	457,052	268,429
Add (deduct):		
Changes in non-cash working capital	(259,479)	(87,364)
Funds from operations	197,573	181,065
Maintenance capital	(7,236)	(3,905)
Leases	(11,248)	(11,778)
Prepaid lease asset	(631)	(631)
Distributable cash flow	178,458	164,751

Payout Ratio

Payout ratio is calculated as dividends declared to shareholders divided by distributable cash flow. This ratio is used to assess the sustainability of the company's dividend payment program.

Payout Ratio <i>(Thousands of Canadian dollars, except %)</i>	For the three months ended	
	March 31,	
	2022	2021
Distributable cash flow¹	178,458	164,751
Dividends declared to shareholders	106,091	106,091
Payout ratio	59%	64%

¹ Non-GAAP measure as defined above

EBITDA and Adjusted EBITDA

EBITDA is a measure showing earnings before finance costs, taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. Management believes that these supplemental measures facilitate the understanding of Keyera's results from operations. In particular, these measures are used as an indication of earnings generated from operations after consideration of administrative and overhead costs.

The following is a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings:

EBITDA (Thousands of Canadian dollars)	For the three months ended March 31,	
	2022	2021
Net earnings	113,794	85,825
Add:		
Finance costs	41,367	40,108
Depreciation, depletion and amortization expenses	49,648	66,336
Income tax expense	35,693	25,814
EBITDA	240,502	218,083
Unrealized loss on commodity-related contracts	10,942	8,475
Net foreign currency loss (gain) on U.S. debt and other	5,282	(89)
Loss (gain) on disposal of property, plant and equipment	477	(1,639)
Adjusted EBITDA	257,203	224,830

Keyera is forecasting a 6% to 7% adjusted EBITDA compound annual growth rate ("CAGR") from 2022 to 2025 for its fee-for-service business, which has been calculated as:

$$\text{Adjusted EBITDA CAGR (fee-for-service)} = \left[\frac{\text{Adjusted EBITDA* at the end of the period}}{\text{Adjusted EBITDA* at the beginning of the period}} \right]^{\left[\frac{1}{\text{Number of Years}} \right]} - 1$$

*Includes adjusted EBITDA specifically related to Keyera's fee-for-service business.

Realized Margin

Realized margin is defined as operating margin excluding unrealized gains and losses on commodity-related risk management contracts. Management believes that this supplemental measure facilitates the understanding of the financial results for the operating segments in the period without the effect of mark-to-market changes from risk management contracts related to future periods.

The following is a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin:

Operating and Realized Margin (Loss)

For the three months ended March 31, 2022

(Thousands of Canadian dollars)	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Operating margin (loss)	76,569	104,872	92,249	(764)	272,926
Unrealized loss on risk management contracts	118	48	10,776	—	10,942
Realized margin	76,687	104,920	103,025	(764)	283,868

Operating and Realized Margin (Loss)

For the three months ended March 31, 2021

(Thousands of Canadian dollars)	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Operating margin (loss)	78,983	104,385	53,230	(623)	235,975
Unrealized loss on risk management contracts	244	426	7,805	—	8,475
Realized margin (loss)	79,227	104,811	61,035	(623)	244,450

Forward-Looking Statements

In order to provide readers with information regarding Keyera, including its assessment of future plans and operations, its financial outlook and future prospects overall, this press release contains certain statements that constitute “forward-looking information” within the meaning of applicable Canadian securities legislation (collectively, “forward-looking information”). Forward-looking information is typically identified by words such as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “plan”, “intend”, “believe”, and similar words or expressions, including the negatives or variations thereof. All statements other than statements of historical fact contained in this document are forward-looking information, including, without limitation, statements regarding:

- target payout and net debt to adjusted EBITDA ratios;
- future capital expenditures and cash taxes, including the anticipated costs of the KAPS pipeline system;
- industry, market and economic conditions, including but not limited to commodity prices, and any anticipated effects on Keyera;
- Keyera’s future financial position and operational performance and future financial contributions and margins from its business segments including, but not limited to, Keyera’s expectation that its Marketing business will contribute on average, a “base realized margin” of between \$250 million and \$280 million annually and a 2022 contribution of between \$300 million and \$340 million;
- estimated maintenance and turnaround costs and estimated decommissioning expenses;
- expected costs, in-service dates and schedules for KAPS and other capital projects (including projects under construction/development and proposed projects) and sources of funding for such projects;
- Keyera’s financial priorities and ESG initiatives.

All forward-looking information reflects Keyera’s beliefs and assumptions based on information available at the time the applicable forward-looking information is made and in light of Keyera’s current expectations. Forward-looking information does not guarantee future performance. Management believes that its assumptions and expectations reflected in the forward-looking information contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct. All forward-looking information is subject to 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 information.

Readers are cautioned that they should not unduly rely on the forward-looking information included in this press release. Further, readers are cautioned that the forward-looking information contained herein is made as of the date of this press release. Unless required by law, Keyera does not intend and does not assume any obligation to update any forward-looking information. All forward-looking information contained in this press release is expressly qualified by this cautionary statement.

Further information about the assumptions, risks, uncertainties and other factors affecting the forward-looking information contained in this press release is available in filings made by Keyera with Canadian provincial securities commissions, including under “*Forward-Looking Statements*” in Keyera’s management’s discussion and analysis for the year ended December 31, 2021 and for the period ended March 31, 2022 and in Keyera’s Annual Information Form for the year ended December 31, 2021, each of which is available on the company’s SEDAR profile at www.sedar.com.