



KEYERA

News Release

For immediate release

November 9, 2022

Keyera Corp. Announces 2022 Third Quarter Results

CALGARY, AB, November 9, 2022 - Keyera Corp. (TSX:KEY) ("Keyera") announced its 2022 third 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.

"Keyera continues to deliver on its strategy. This quarter we did so by progressing KAPS towards startup, while continuing to fill available capacity at our existing assets. Our strong quarterly performance was led by record Gathering & Processing margins" said Dean Setoguchi, President and CEO, "Our integrated assets are well positioned to benefit from the basin's ongoing volume growth."

Highlights

- **Strong Quarterly Results** – Net earnings were \$123 million or \$0.56 per share (Q3 2021 – \$70 million or \$0.32 per share), adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA") was \$247 million (Q3 2021 – \$214 million) and distributable cash flow¹ ("DCF") was \$162 million or \$0.73 per share (Q3 2021 – \$149 million or \$0.68 per share).
- **KAPS 90% Complete** – As of the end of October, KAPS is 90% complete with \$850 million (net to Keyera) spent to date. Project costs are expected to increase by \$100 million, net to Keyera, with the details discussed below. The project is anticipated to be operational at the end of the first quarter of 2023 and will increase take-or-pay cash flows.
- **Filling Available Capacity** – The Gathering and Processing ("G&P") segment delivered record realized margin^{1,3} of \$89 million (Q3 2021 – \$76 million) with volumes increasing by 9% year-over-year. Record throughput at the Wapiti gas plant, and higher volumes at Pipestone and across the Southern region assets contributed to this result. With further capacity available at its gas plants, the company expects continued volume growth through 2022 and into 2023.
- **Marketing Guidance Reaffirmed** – The company continues to anticipate record Marketing realized margin¹ of between \$380-\$410 million for 2022. This result includes a successful six-week planned turnaround at the Alberta EnviroFuels facility ("AEF"), completed in the fourth quarter.
- **Strong Financial Position** – As of the end of September, all outstanding debt obligations were at fixed interest rates with no material debt refinancing until 2025. Net debt to adjusted EBITDA², currently at 2.4 times, is below the bottom end of the target range of 2.5 to 3.0 times. The company expects to exit 2022 within the target range.
- **Managing Long-Term Risk** – In the third quarter the company published its latest ESG Report, detailing progress towards its ESG commitments that includes achieving a 12% reduction in emissions intensity since 2019 and tracking well towards its 25% by 2025 target.

KAPS Project Update

- As of the end of October, the project is 90% complete with \$850 million (net to Keyera) spent to date. The project is anticipated to be operational at the end of the first quarter of 2023 and the latest cost estimate is \$1.0 billion net to Keyera, up from the previous estimate of \$900 million.
- This cost increase is attributable to lost productivity and higher costs primarily due to weather. Both the required labor and the access matting needed to preserve go-forward productivity were affected by cost inflation.
- The remaining \$150 million, net to Keyera, carries a contingency of about 25% to address remaining project risk, including weather. This can be segmented as:
 - \$100 million related to construction activities which are scheduled to be complete by the end of 2022; and
 - \$50 million related to commissioning, startup, right-of-way cleanup and close out activities to be mostly completed in 2023.

Pipestone Relicensing

- In the third quarter, the company added 20 MMcf/d of capacity at its Pipestone gas plant by relicensing the facility to 220 MMcf/d. The additional capacity was available at the end of the third quarter.
- The company continues to progress opportunities to further expand capacity.

2022 Guidance Update

- Realized margin¹ for the Marketing segment of between \$380 million and \$410 million remains unchanged.
- Growth capital spending is now expected to be between \$770 million and \$800 million, above the previous range of \$680 million to \$720 million, excluding capitalized interest. The increase is primarily driven by the increased cost for the KAPS project.
- Maintenance capital guidance range of \$100 million to \$120 million remains unchanged.
- Cash tax guidance range of \$55 million to \$65 million remains unchanged.

2023 Guidance

As outlined at the March 2022 Investor Day, following the completion of major growth capital related to the KAPS project, the plan for 2023 focuses on balancing more modest growth spending with increasing balance sheet strength and returning cash to shareholders.

- Growth capital expenditures are expected to range between \$140 million and \$180 million excluding capitalized interest. This includes approximately \$50 million related to the completion of the KAPS project and \$45 million to \$55 million related to a Pipestone expansion project that is progressing but is currently unsanctioned.
- Maintenance capital expenditures are expected to range between \$75 million and \$85 million and includes approximately \$40 million related to turnarounds at the Rimbey and Pipestone gas plants. Substantially all of the costs related to the maintenance turnaround at the Pipestone gas plant will be recovered in 2023.
- Cash tax expense is expected to range between \$10 million and \$25 million.
- 2023 planned turnarounds and outages:

Asset	Duration	Timing
Wapiti Gas Plant outage	10 days	Q2 2023
Rimbey Gas Plant turnaround	3 weeks	Q2 2023
Keyera Fort Saskatchewan Fractionation Unit 2 outage	1 week	Q2 2023
Keyera Fort Saskatchewan Fractionation Unit 1 turnaround	2 weeks	Q3 2023
Pipestone Gas Plant turnaround	2 weeks	Q3 2023

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". For the assumptions associated with the realized margin guidance for the Marketing segment, refer to the section titled "Segmented Results of Operations: Marketing" of Management's Discussion and Analysis.

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 \$43 million in non-cash gains from commodity-related risk management contracts. See the section of this news release titled "Non-GAAP and Other Financial Measures".

Summary of Key Measures <i>(Thousands of Canadian dollars, except where noted)</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net earnings	123,389	69,800	410,189	234,220
Per share (\$/share) – basic	0.56	0.32	1.86	1.06
Cash flow from operating activities	135,104	106,376	790,919	486,876
Funds from operations ¹	218,135	168,762	661,998	531,173
Distributable cash flow ¹	162,340	149,252	549,351	461,943
Per share (\$/share) ¹	0.73	0.68	2.49	2.09
Dividends declared	106,091	106,091	318,273	318,273
Per share (\$/share)	0.48	0.48	1.44	1.44
Payout ratio % ¹	65%	71%	58%	69%
Adjusted EBITDA ²	246,849	213,578	819,983	662,109
Gathering and Processing				
Gross processing throughput ³ (MMcf/d)	1,604	1,471	1,549	1,441
Net processing throughput ³ (MMcf/d)	1,378	1,246	1,330	1,219
Liquids Infrastructure				
Gross processing throughput ⁴ (Mbb/d)	167	110	178	136
Net processing throughput ⁴ (Mbb/d)	79	69	83	77
AEF iso-octane production volumes (Mbb/d)	11	14	13	14
Marketing				
Inventory value	379,102	334,857	379,102	334,857
Sales volumes (Bbl/d)	158,800	149,500	172,600	156,000
Acquisitions	—	—	—	11,165
Growth capital expenditures	193,879	136,290	619,903	264,467
Maintenance capital expenditures	34,374	8,060	68,516	33,882
Total capital expenditures	228,253	144,350	688,419	309,514
Weighted average number of shares outstanding – basic and diluted	221,023	221,023	221,023	221,023
			As at September 30,	
			2022	2021
Long-term debt ⁵			3,628,360	3,288,697
Credit facility			30,000	70,000
Working capital surplus ⁶			(48,665)	(147,058)
Net debt			3,609,695	3,211,639
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

Keyera delivered strong results, hitting key operational milestones, and delivering strong margins in the third quarter. We are well positioned to continue earning strong returns for shareholders by executing our strategy and supplying the energy the world needs. And we're positioning ourselves to participate profitably, in the energy transition.

Solid operational performance contributed to strong financial results. At Wapiti, volumes increased by 35 percent from last quarter to a record average throughput of 184 MMcf/d. This led to the Gathering & Processing segment delivering its best-ever quarterly realized margin. At Alberta EnviroFuels, we completed a successful six-week planned turnaround.

KAPS is now 90 percent complete and is anticipated to be operational at the end of the first quarter of 2023. Today, we provided a detailed cost update and outlined our path to completion. We've had a range of challenges, largely related to weather, which introduced additional costs. Looking ahead, we're focused on completing the project on time and adding new customer contracts. With KAPS in service, Keyera can provide Montney producers a complete, and much-needed, competitive alternative for gas processing and liquids transportation, fractionation, storage, distribution and marketing. Our fully integrated value chain allows us to better compete for volumes and provides more opportunity to earn returns at each step of the way.

KAPS provides a platform for future growth opportunities. These opportunities include a potential fractionation expansion in Fort Saskatchewan, and KAPS Zone 4, which would extend our reach to the BC border to collect volumes from northeast BC Montney producers. We will remain financially disciplined in making any final investment decisions and will ensure these projects meet our return criteria and have strong contractual underpinnings.

Longer-term, Keyera is positioned to play a meaningful role in the energy transition. We continue to reduce our emissions and have already achieved nearly half of our 2025 emissions intensity reduction target of 25 percent. In August, we announced that we are working with Canadian National Railway to evaluate a clean energy terminal as part of our collaborative Low Carbon Hub strategy in the Alberta Industrial Heartland. In another example of progress towards decarbonization, we have recently been awarded pore space for a potential sequestration hub north of Grande Prairie.

We continue to execute our strategy and deliver on the commitments we made at our Investor Day in March. These include:

- Managing long-term business risk by demonstrating ESG leadership;
- Filling available capacity and improving reliability to improve returns and increase the competitiveness of our business;
- Growing our stable contracted cash flows through KAPS;
- Maintaining a strong balance sheet; and lastly
- Providing a differentiated platform for future growth by enhancing and extending our value chain.

Looking further ahead, energy security, energy demand growth and energy transition are all catalysts for long-term natural gas and natural gas liquids demand, supporting a strong future for Keyera and our basin.

On behalf of Keyera's board of directors and management team, I thank our employees, customers, shareholders, Indigenous peoples and other stakeholders for their continued support.

Dean Setoguchi
President and Chief Executive Officer
Keyera Corp.

Third 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 third quarter of 2022 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Wednesday, November 9, 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 November 23, 2022 by dialing 888-390-0541 or 416-764-8677 and entering pass code 603915.

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		For the nine months ended	
	September 30, 2022	2021	September 30, 2022	2021
Cash flow from operating activities	135,104	106,376	790,919	486,876
Add (deduct):				
Changes in non-cash working capital	83,031	62,386	(128,921)	44,297
Funds from operations	218,135	168,762	661,998	531,173
Maintenance capital	(34,374)	(8,060)	(68,516)	(33,882)
Leases	(11,230)	(10,819)	(32,691)	(33,455)
Prepaid lease asset	(596)	(631)	(1,845)	(1,893)
Inventory write-down	(9,595)	—	(9,595)	—
Distributable cash flow	162,340	149,252	549,351	461,943

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		For the nine months ended	
	September 30, 2022	2021	September 30, 2022	2021
Distributable cash flow¹	162,340	149,252	549,351	461,943
Dividends declared to shareholders	106,091	106,091	318,273	318,273
Payout ratio	65%	71%	58%	69%

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 <i>(Thousands of Canadian dollars)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net earnings	123,389	69,800	410,189	234,220
Add:				
Finance costs	40,892	43,442	124,267	125,559
Depreciation, depletion and amortization expenses	68,645	68,667	172,634	201,121
Income tax expense	39,571	20,910	128,216	69,699
EBITDA	272,497	202,819	835,306	630,599
Unrealized (gain) loss on commodity-related contracts	(42,696)	1,749	(42,116)	36,778
Net foreign currency loss (gain) on U.S. debt and other	17,048	823	26,316	(2,152)
Impairment expense	—	8,187	—	17,681
Loss (gain) on disposal of property, plant and equipment	—	—	477	(20,797)
Adjusted EBITDA	246,849	213,578	819,983	662,109

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 September 30, 2022

<i>(Thousands of Canadian dollars)</i>	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Operating margin (loss)	89,628	102,993	124,235	(72)	316,784
Unrealized gain on risk management contracts	(562)	(1,579)	(40,555)	—	(42,696)
Realized margin (loss)	89,066	101,414	83,680	(72)	274,088

Operating and Realized Margin (Loss)

For the three months ended September 30, 2021

<i>(Thousands of Canadian dollars)</i>	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Operating margin (loss)	76,536	98,885	56,295	(424)	231,292
Unrealized (gain) loss on risk management contracts	(300)	(545)	2,594	—	1,749
Realized margin (loss)	76,236	98,340	58,889	(424)	233,041

Operating and Realized Margin (Loss)

For the nine months ended September 30, 2022

<i>(Thousands of Canadian dollars)</i>	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Operating margin (loss)	254,883	307,337	386,680	(928)	947,972
Unrealized gain on risk management contracts	(948)	(3,178)	(37,990)	—	(42,116)
Realized margin (loss)	253,935	304,159	348,690	(928)	905,856

Operating and Realized Margin (Loss)

For the nine months ended September 30, 2021

<i>(Thousands of Canadian dollars)</i>	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Operating margin (loss)	241,356	299,282	161,952	(1,365)	701,225
Unrealized loss (gain) on risk management contracts	38	(266)	37,006	—	36,778
Realized margin (loss)	241,394	299,016	198,958	(1,365)	738,003

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 between the years 2023 and 2025, 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 \$380 million and \$410 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 September 30, 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.