Keyera 2019 Investor Day
Wednesday, Dec 11, 2019
Session 1
Duration: 102 minutes

[00:00:01.550] - Lavonne Zdunich
Good morning everyone and welcome to Keyera's inaugural Investor Day. I'm Lavonne Zdunich, The Director of Investor Relations.

[00:00:09.310] - Eileen Marikar
And I'm Eileen Marikar vice president of finance and I've been with Keyera for a little over 14 years. I've been with the company for this long because of our people and our very unique culture that makes it an exciting and rewarding place to come to work each and every day. Under the guidance of our experienced leadership team we have delivered substantial results financially and operationally. We are very proud of our track record and our goal is to continue to deliver steady growth for our shareholders for the long term.

[00:00:42.500] - Lavonne Zdunich
Well I've only been a Keyera for five years. I've spent the majority of my career in the energy industry. I've seen firsthand how Canadian oil and gas companies conduct their business in the Middle East, The North Sea, up in the oil sands, and across the prairies in Alberta and Saskatchewan.

[00:00:59.940]
We are extremely proud of our industry.

[00:01:05.030]
Canadian oil and gas. It's responsible and it is reliable. And today our presentations will show you what Keyera is doing to help deliver this responsible energy to the world. Our speakers today...

[00:01:19.550]
Just bear with us for a second.

[00:01:37.910]
Our speakers today: David Smith president and CEO, Brad Lock our Senior V.P. and COO, Nancy Brennan Senior V.P. and general counsel, Dean Setoguchi Senior V.P. and Chief Commercial Officer, Brian Martin who is our V.P. of business development for liquids infrastructure, Jamie Urquhart V.P. of Marketing and Steven Kroeker our senior V.P. and CFO.

[00:02:07.820] - Eileen Marikar
And Keyera's leadership team extends beyond our speakers today. Also with us today Jarrod Beztilny Vice President Operations: Gathering and Processing, John Hunszinger V.P. Operations: Liquids Infrastructure, Kelly Hill Vice President Information Technology, Rick Koshman Vice President Corporate Development, Avery Reiter Director of Treasury, Darren Rousch General Manager Marketing and Risk Management and Brad Slesser General Manager of our U.S. Operations. Before we get started today I'd like to remind everybody that we will make statements that are forward looking and contain non-GAAP

financial measures. Please refer to slides 4 and 5 for more information. I'll now turn it over to Brad Lock to get us started today as we do with each meeting with a safety moment: Brad.

[00:03:13.160] - Brad Lock
Good morning. Thank you for coming this morning. My name is Brad Lock as Eileen and Lavonne mentioned I'm the chief operating officer at Keyera. I've been with Keyera about 15 years. I came over from Chevron Canada resources when Keyspan at the time acquired the Enerpro assets. It's been an outstanding 15 years with an amazing group of people that are business focused and customer focused and we've delivered some outstanding results over the last while that we're looking forward to continuing in the years to come.

[00:03:45.380]
Before we get started just a couple of housekeeping items: for anybody who needs it washrooms, men's washrooms are out the door, hang a left and then hang an immediate right. For women's washrooms: out the door, hang a left and then hang an immediate left which is basically right outside the door here. In case of an emergency. If there's an alarm there's two alarms that you would hear in this building. One is a slow intermittent alarm. If you hear that alarm you wait in place. All right? Nobody evacuate when that alarm goes on there may be, there's a situation somewhere in the building that needs to be dealt with if that alarm goes to a rapid alarm then we all want to evacuate and we would basically go out the stairs that are just outside the door here so you can go out, hang a left down the stairs there and we actually muster on the church across the road and that's where we would meet a headcount. If anybody has mobility challenges. What you will want to do is wait by the door and one of the fire marshals will guide you to an emergency evacuation point where you can actually take an emergency elevator down to the bottom of stairs. And that is actually located just to the right of the reception desk as you go through the elevator lobby. As Eileen and Lavonne mentioned we like to start every meeting with a safety or a value moment and what I'd like to talk to you a little bit about is furnace safety.

[00:05:04.650]
So a sobering fact: carbon monoxide poisoning from furnace failures is the number one cause of carbon monoxide poisoning in North America today. With winter coming it's important that we all check our furnaces and make sure that they're in good working order particularly if they are a natural gas fired furnace. The picture you see here is actually of a secondary heat exchanger on a forced natural gas furnace. The purpose of this unit is actually to exchange the hot combustion gas heat with the incoming cold gas that is circulated through the House and what you see here is actually a new one and a failed one.

[00:05:44.340]
This failed one actually came from the house of one of our employees. So in February of 2019 if anybody was in Calgary in February 2019 it was extremely cold. in the middle of the night her and her family were all sleeping. The carbon monoxide detectors actually went off in their home. They did what they were

supposed to do they gathered their kids evacuated the house called 911. When 911 arrived they actually went in and validated that there was a high carbon monoxide level in the house and actually began to ventilate. Called the gas company and the gas company determined that this heat exchanger shown here actually did fail, so that hot combustion gases out of the fire chamber was actually being put into the house which was causing that rise of carbon monoxide in the house.

[00:06:32.640]
Upon investigation what she found was actually that several manufacturers of furnaces made prior to 2010 actually had a very very high rate of these failures. So Bryant, Payne and HE Carrier furnaces were actually experiencing an exceptionally high rate of failure. And this was very common and actually led to a class action lawsuit being filed in the United States over the manufacture of these furnaces. So the message from all of this is threefold. Number one make sure that your carbon monoxide detectors are working. They save lives. They do expire after 10 years.

[00:07:12.030]
So you want to make sure that your carbon monoxide detector is tested working and up to date. Secondly if you have a natural gas furnace I asked you to please get it checked by a certified certified individual. And third if you actually have one of these furnaces please do it right away because your family might be at risk. Thank you very much.

[00:09:31.450] - David Smith
Good morning everyone. Everyone awake now? Welcome to Keyera's first ever investor day and thank you for coming this morning. My name is David Smith and I'm the president and CEO of Keyera. I think I know most of the people in the room. I've worked in the industry for more than thirty-five years now and I've been with Keyera since our inception in 1998. Our theme today is delivering positive energy. For us this has a double meaning. Delivering positive energy is what we do. It's in our mission and it's in our vision as you'll see. Delivering positive energy is also who we are.

[00:10:08.180]
Bringing energy enthusiasm and passion to everything that we do serving our customers. Collaborating with our partners, respecting our neighbors and delivering value for our shareholders. We hope you'll find this morning's discussion informative and energizing. I'm going to begin by talking about the context for Keyera's strategy and outlook. We are a proudly Canadian company. Most of our assets are in Canada and most of our employees are Canadian. We have strong competitive advantages in the Canadian energy infrastructure space and we continue to believe that Keyera's growth opportunities in Canada are robust and long-term.

[00:10:48.150]
While we will continue to pursue complementary high return niche opportunities in the US. The focus of our strategy will continue to be on Canada and we think Canada's oil and gas industry has a bright future.

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We are incredibly fortunate here in Canada. We have access to abundant energy resources. More than enough energy for 300 years at current consumption rates. The quality of our oil and gas resources is competitive with most other regions around the globe. These resources have provided Canadians with an incredibly high quality of life, access to low cost secure energy supplies leads directly to improve living conditions and economic progress. Canada is now in a position to share this advantage with the rest of the world lifting billions out of poverty and improving the global environment at the same time. According to the IEA the world's need for energy will continue to grow, increasing by 24% by 2040. Renewables will be the fastest growing source of energy by far, however to meet the world's demand there will still be a growing need for oil and especially for natural gas. This is the opportunity for Canada and the reason for our optimism.

[00:12:10.120]
Global population growth, urbanization and economic development are driving the demand growth and it's almost all in the developing world. By 2040 the developing world will account for 65% of the world's energy consumption. Providing long term efficient low cost energy to the developing world has massive potential to improve the lives and health of people around the globe. However the call for lower emissions environmental protection and social benefits from our industry will continue to intensify. So how do we meet this demand responsibly and reliably?

[00:12:47.900]
The answer is Canada. The world needs our positive energy by providing our resources to the world markets we can supply that long term efficient low cost energy to the developing world. Improving the lives and health of billions. Canada is already one of the most responsible producers of oil and gas in the world and we continue to improve. It is unfortunate but true. As you can see from this map that most of the world's energy is produced in highly corrupt jurisdictions with little social or environmental protection. Among energy producing countries Canada is an ESG leader in many important respects.

[00:13:26.360]
Our strong, consistently enforced environmental regulations, our methane emissions restrictions and reductions, our carbon capture and sequestration technologies, our safe pipeline transportation systems, our worker safety track record, our human rights transparency and ethics, our corporate governance to name but a few. So these are the reasons why we are very optimistic about the future of Canada's oil and gas sector. We need to be cost competitive with other global sources of supply and we need to build out the infrastructure to access those global markets. But we are getting these things done--perhaps a little too slowly--but with the Trans-Mountain expansion, with LNG Canada, with the coastal gas link pipeline, with TC Energy's de-bottlenecking of their system in Western Canada: we are more confident about the industry's future than we have been for a few years. I'm calling the bottom for Canadian oil and gas.

[00:14:27.200]

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Keyera's mission is connecting energy for life. We see our role as connecting the producers of energy and the consumers of energy responsibly efficiently cleanly contributing to an improved quality of life for everyone and a healthier planet. Our vision is to be the North American leader in delivering energy infrastructure solutions. For us, being the leader doesn't mean that we need to be the biggest or that we need to be in every energy related business. Or market or product or service. What it does mean is that we strive to set the standard to be the best at the energy infrastructure businesses that we choose to be in. And we deliver excellence. There are many ways to measure excellence in our business. We've chosen our vision to focus on three: number one in safety performance, number one in customer recognition and number one in total shareholder return. I should also emphasize that we're in the business for the long term. When we look at our people decisions, our maintenance decisions, our investment decisions, our focus on operational excellence; we do that all based on the assumption that we will be operating our businesses and we'll be operating our facilities for decades into the future.

[00:15:47.480]
Our values that have stood the test of time as we've evolved as an organization over the past 20 years are on this slide. Health Safety and Environment. Caring for people and caring for the planet. Integrity and trust doing the right thing for the right reasons. Responsibility and accountability. for us that means delivering on our commitments to our customers to ourselves and to all of our stakeholders.

[00:16:13.230]
Teamwork means embracing diversity and working together to accomplish the goals that we have. And finally business spirit is about encouraging drive and passion to add value for our customers and we try and live these values every day. Our strategy hasn't really changed very much it's been very consistent over the two decades or more that we've been in business. We're focused on delivering steady, disciplined growth to create long term value for our shareholders. Specifically what that means is a tireless focus on customer service. Maximizing the utilization of our facilities because that reduces per unit costs for our customers and improves Keyera's bottom line at the same time. Enhancing and extending our integrated value chain creating more reliability and flexibility and profitability for our customers and our shareholders. And finally utilizing our assets to access high value markets for the commodities we handle to benefit both ourselves at Keyera as well as our customers. As I said our strategy has been very consistent over many years. In 2003 when we went public we had the privilege of having the former premier of Alberta Peter Lougheed as our chairman of our board of directors and he stayed as our chairman until 2012 when he passed away.

[00:17:33.350]
In 2011. He said this as one of the original members of the board. I have watched Keyera's business strategy develop. And I am impressed by the consistency of its execution. Our success is dependent on the relationships we build with our stakeholders and I am extremely proud of Keyera's track record as an engaged and responsible corporate citizen. Today eight years later I am just as proud of our track record

and our team. Looking forward we will continue to be focused on strengthening the capabilities and the culture that will build on that success.

[00:18:10.130]
Our strategy has built a fully integrated business. Our three business segments: gathering and processing, liquids infrastructure and marketing, provide essential services with assets and capabilities that are difficult and expensive to replicate. Our competitive advantages include strong customer and partner relationships. That strengthen our business and also provide ongoing opportunities for growth. As I mentioned already our assets and our connectivity are attributes that are very difficult to replicate for competitors. Over more than 20 years of investment. We have created a strong franchise. That would take considerable time and money to replicate.

[00:18:59.380]
Thirdly we try and provide complete midstream solutions to our customers all along the value chain. We access high value markets with the facilities that we have for the commodities that we handle again for the benefit of both ourselves and our customers. And finally we are a safe reliable and respected operator of facilities where we operate. Over time those strategies have delivered very impressive financial results since our inception as a public company 16 years ago. We have delivered a compound annual growth rate of 8% in terms of dividend per share and that's based on an 11% compound annual growth rate in our distributable cash flow per share.

[00:19:40.100]
I always emphasize that when we calculate distributable cash flow we measure it after maintenance capital after lease expense after cash taxes. So it truly is the cash that's available either to reinvest or to pay in the form of dividends. And that track record has generated a 19% compound total annual shareholder return over that 16 year time period since our inception as a public company. I should emphasize as well we always focus on per share metrics internally and externally and in focusing on delivering shareholder value. That impressive track record is based on a long history of steady dividend growth, 8% compound annual growth rate as I mentioned which is based on the continued growth in distributable cash flow per share. That steady dividend growth is based on disciplined capital allocation. You can see from this chart that we had some very strong years in 2014 and 2015 but even in the more recent years when the industry has gone through some significant challenges our return on invested capital is still at the high end of that 10-15% range. And that's a track record that most of our competitors have a tough time matching.

[00:20:59.040]
That disciplined capital allocation is ongoing today and we expect to be able to continue that track record of strong returns on capital and steady dividend growth with the projects that we have underway. The projects that we completed in 2019. The Phase One of the Wapiti gas plant and the Simonette expansion are already generating cash flow growth. And the projects that are under construction now are Wildhorse

terminal in Oklahoma, phase two of the Wapiti gas plant and the new Pipestone gas plant are all expected to be generating that 10-15% return on invested capital by 2022. And the KAPS liquids pipeline is expected to be generating at that level of return by 2024.

[00:21:41.980]
So what have we done for you lately? Well over the course of the last 12 months these are some of our accomplishments. We've operated our facilities safely. Since the beginning of 2018 we've had only one employee lost time incident and that was a fairly minor event. We're moving forward with our KAPS liquid pipeline project which we announced earlier this year. We achieved record financial results. For 2018 and for the last twelve months our earnings per share were at record levels. And our distributable cash flow per share for 2018 was at a record level for 2019 it's going to be a little bit lower as a result of higher cash taxes and higher maintenance capital but still very impressive results in the environment that we're in. We have completed about a billion dollars worth of capital investment projects including the Wapiti gas plant and the associated gathering systems.

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And that's a photograph of those of us who were there to celebrate the opening earlier this fall. We've maintained our track record of steady dividend growth with a 7% increase in August and we've secured the funding for our current capital program with the $600 million hybrid debt offering in June. We won't need any new equity aside from the DRIP to fund the current organic capital program that's underway. I'd like to take a minute now to introduce these strategic priorities that we have currently in each of the business segments. You'll hear more about this from our speakers throughout the rest of the morning. In our Gathering and Processing segment our focus is on enhancing and extending, sorry increasing the competitiveness and the profitability of our assets. We will do that as we as we always do through trying to enhance customer net backs increasing the utilization of our facilities and optimizing the portfolio. And Dean Setoguchi will be talking about that a little bit more. In the liquids Infrastructure segment, we are focusing on continuing to enhance and extend our value chain. Increasing the connectivity capacity and the range of services that we provide. Providing more services for the growing production of bitumen from the oil sands.

[00:23:49.590]
And finally most of our investment opportunities in the next few years will be in the liquids infrastructure sector. And we are focused on continuing to focus on fee-for-service opportunities building on our capabilities and strengthening our competitive advantages. Brian Martin will talk a little bit more about that later this morning. In our marketing segment which Jamie Urquhart will talk about, we continue to focus on accessing high value markets for the commodities that we handle. And maintaining the long term effective risk management program that we have. Steven Kroeker will talk a little bit later about our financial priorities, our short term and long term financial priorities are the same. Continuing our disciplined capital allocation. Preserving our financial flexibility with our strong balance sheet and payout ratio and continuing our track record of steady dividend growth.

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[00:24:44.190]
So here are some of the messages that you'll hear more about this morning. We will continue our disciplined capital allocation generating attractive returns with the investments that we make. We will successfully execute and deliver on the program that we have currently underway. We are focused on increasing utilization across all of our facilities enhancing customer net backs and improving Keyera's profitability. To that end we are developing plans to optimize our gathering and processing portfolio to improve profit profitability in that segment. Our growth opportunities in the next few years will primarily be in our liquids Infrastructure segment and we intend to maintain a strong balance sheet and we and we intend to deliver steady dividend growth.

[00:25:27.790]
So with that I'm going to turn it over now to the newest member of our officer team Nancy Brennan who will talk a little bit about what we call sustainability.

[00:25:50.620] - Nancy Brennan
Thank you David. As David mentioned my name is Nancy Brennan. I am the senior vice president and general counsel of Keyera and I'm the newest member of Keyera's executive team. I have been in the energy industry almost 20 years. Like many of you prior to joining Keyera I was very familiar with the strong track record of growth and the outstanding financial performance. But I can say with every confidence, since joining the organization earlier this year what I didn't fully appreciate although I was somewhat aware of it was the caliber and the depth of expertise in this organization. Very, very strong bench of high caliber of individuals and just a consistent demonstration of the values that David alluded to earlier. The culture is well known, at least within Calgary. But I will say as someone who's just recently joined it's been extremely impressive and it permeates really everything that Keyera does.

[00:26:49.100]
My comments are really going to focus. As was mentioned on Keyera's approach to governance, social responsibility and the environment which is commonly referred to as our ESG approach. David earlier outlined our values and really the intent of this part of the presentation is to give you some insight into how at Keyera we really believe that we try and live and strive for these values every day. And as David mentioned Keyera is really committed to responsible growth. A key feature of Keyera and a key measure of our success is that we are committed to operational excellence. And in respect of our safety program operational excellence is really the foundation of everything that we do. In respect of safety performance in particular we had zero lost time incidents in 2018 and only a minor event in 2019 which is outstanding safety performance. Our AEF facility which you'll hear a little bit about later today actually just recently celebrated its 25th year without a lost time incident and care is also well recognized within the industry we've won numerous awards for our safe product handling practices. In respect of operational reliability. As you can see are both in respect of our gas processing facilities and in our NGL service facilities our reliability is well over 90%. Keyera is very proud of its strong track record of corporate governance. Other

than David. We have a 100% independent board and they're highly engaged directors with a bring an average of 34 years of industry and professional experience to our board.

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The composition of our board really reflects also the focus that we have on diversity of thought and experience; 33% of our independent directors are female. And we have a relatively low average tenure of 5.8 years which really also exhibits the constant focus on renewal and bringing new perspectives onto our board. In respect of compensation governance. We have a 98% support of our say-on-pay or executive compensation program over the last 3 years that's the average level of shareholder support that we've received.

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And in respect of ESG in particular is really reflected in both our committee structure which is comprised of audit compensation governance and health and safety. And also just the regular conversations that happen at the board level both in terms of strategy discussions and our ongoing discussions about enterprise risk management which really identify any areas of concern and areas of opportunity for us.

[00:29:36.120]
As some of you may be aware care is well recognized both nationally and provincially as an employer of choice. And we really do value collaboration and teamwork within the organization and diversity and really bringing a questioning attitude to everything we do. Part of this recognition is the strong culture that exists here. We've outlined here what our cultural behaviors are which is really just a it's a codification of sort of the way that the organization organically exists. It's really characterized by teamwork and collaboration diligence and as I mentioned earlier just bringing a fresh perspective and questioning attitude to everything that we do.

[00:30:23.360]
In respect to our community investment program Keyera has a long history of both investing in and building capacity in the communities in which we operate and work. We've got four key pillars to our community investment program. They're both focused on identifying key areas of local need and addressing those as well as supporting key initiatives within our communities that are directed at enhancing the economic and environmental well-being. In 2018 alone Keyera donated approximately $1 million to 150 different local organizations. We've also invested almost $5 million in the United Way since our inception. Keyera also encourages our employees to give generously of their time. We provide employees with two paid volunteer days per year and last year alone employees donated over eight thousand hours of their time which was equivalent and valued almost five hundred thousand dollars.

[00:31:35.510]
So in respect of the environment our approach is really based on four key principles. Obviously safe and efficient operations are key to our environmental approach and reducing our environmental impact. We

are keenly interested in listening to our stakeholders and we continue to do that in respect of all of our activities and the projects that we have ongoing. We are relentlessly focused on continuous improvement. The organization regularly engages in look backs and seeks to learn from its experiences and the experience of others to continue to adapt our approach and improve it. And we're constantly having discussions to determine how best to align our strategy with our principles of responsible growth.

[00:32:22.880]
Going forward in respect of environmental stewardship we recognize that the interests and the views of investors and our stakeholders are evolving and they're diverse. Our approach for the future is focused on four key principles which are really interrelated. First is listening. Obviously listening and learning from these perspectives carries a very stakeholder focused organization. And obviously we want to understand what areas of concern that our stakeholders have and how we can adapt our approach accordingly. Two. In terms of our action we've actually initiated a number of projects and groups within the organization in respect of climate change reducing emissions environmental stewardship and we'll continue with those task forces and groups that have already started and have great work underway and move those initiatives forward.

[00:33:19.470]
Excuse me. In respect of our approach in sharing our disclosure we will be sharing more of our ESG story going forward. We focused over the last two years on increasing the breadth and the depth of our ESG disclosure. And we've made great strides in that respect. The focus going forward will be for us to more broadly take the experiences and the perspectives we have and broaden and clarify our approach including very transparently with our with our shareholders. And other stakeholders.

[00:33:50.870]
And finally as David mentioned we believe that the world needs more positive Canadian energy. And we recognize the imperative of sharing the story with the rest of Canada on the world and our focus will also include providing and supporting more fact based education on Canada's ESG approach. And the benefits of Canadian energy. So with that I will turn our presentation over to Dean Setoguchi our Chief Commercial Officer who will speak about our gathering & processing business.

[00:34:26.980] - Dean Setoguchi
Thank you Nancy. Good morning everyone. My name is Dean Setoguchi, I'm the senior vice president and chief commercial officer at Keyera. I've been with the company for almost 10 years. The first 4 were as a CFO and so I am the second of three CFO in the company as I followed David Smith's footsteps. So rest assured we apply a lot of financial discipline in our company. Following that I left the company for 18 months. I came crawling back on my hands and knees and David gave me a role in the business group. I've been there for about six years and I really enjoy my role now in building our business for the future. I should mention before I speak to these slides is that there's a couple of them in this section that are out of order so all the slides are in your package. They're just in a different order.

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[00:35:19.110]
So talking about the gas gathering & processing. We have a very integrated business. And it all starts with our gas gathering & processing segment. It's where we get to first engage with our customers and understand the requirements and provide them with a service offering that fits their needs. And ideally this means that we provide them a complimentary suite of services and that would include gathering and processing their natural gas for a fee. Extracting their liquids transporting them fractionating them and then storing them and terminating them as well. Also for a fee. And at the end when we market those physical products we get to generate a margin. So as those hydrocarbons flow through our system we generate fees and a margin at the end.

[00:36:07.090]
This part of our business is the most competitive part of our business. Generally speaking the barriers to entry are lower than our downstream liquids business. So our goal is to increase our competitiveness as much as possible. Most of our competitors in this space do not have the integrated network of assets that we have. So when we bundle our services it does provide us a competitive advantage.

[00:36:36.840]
So I just want to talk a little bit about how drilling is involved in the province and some of you may have seen some of these from TransCanada slides. But if you look back to 2000 you can see that the wells were very widely dispersed and most of them were vertical wells. When you move forward into 2007. You can see that there is a more distinct line of drilling along the western part of the province but again still most of the wells are vertical wells. When you fast forward into 2017 and again and this is in a much lower commodity price environment in Alberta. You can see where all the wells have now gravitated to the most economic part of the basin. And again that's on the western part of the basin. And you can also see now that most of the wells are horizontal wells which are the dark dots.

[00:37:30.720]
When you overlay our gas gathering and processing assets. We classify them into the north and south. And you can see that both are very strategically situated along this fairway. We provide essential services. And that's right from production to end markets. In this process we aim to capture as much value as possible. The more value that we capture it gives us the flexibility to competitively incent more volumes to our system. And enhance our profitability. So a lot of that value is in the liquids and as you just saw our facilities are located and liquids rich areas. And we have extraction capabilities that all of our facilities. And the efficient means and infrastructure to process and get those NGLs to market. We also aim to achieve the highest value prices for those NGLs so that we maximize the net backs for our producers.

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So our strategy is all about increasing our competitiveness and the profitability of this segment. And really it's about helping our customers. Our customers have faced a lot of hardships over the last especially the last five years with the downturn in commodity prices. And with that we have to be part of the solution. And that means helping to enhance our net backs. The healthier they are the more active they'll be behind our facilities and more volumes will come into our system and generate higher profits. So we're focusing on our customer net backs. And as part of that we have an optimization project that I'll be talking about later.

[00:39:22.050]
So I want to make it clear that most of our initiatives are all centered around factors that are within our control and that means lowering our operating costs and improving our overall utilization so that we lower our per unit costs. When we do that. Again we're more competitive and we can more competitively attract volumes into our system and make us more profitable. Having said that there's reason to be more optimistic about the future of natural gas prices in Alberta and a lot of that is happening because of changes on TC's system. And first of all TC is allowing interruptable gas to flow into storage now. So what we've seen over especially in the last couple of summers where we've had maintenance outages natural gas has been trading at a zero value. And so with this new policy of allowing gas to flow into storage that should help stabilize the AECO gas prices on top of that we're seeing a lot of export capacity getting built over the next three years both to the east and also down to the west and into the U.S..

[00:40:26.040]
Into Alberta demand is expected to increase by about 1.5 BCF a day about a B of that is related to coal to gas switching for the generation of power on top of that industrial demand is expected to increase by about a half a BCF a day. And when we look out into the future into the middle of the next decade. We're excited to see the first LNG development come online off the west coast of Canada and that will require about 2 BCF a day of gas to feed it. We hope that this is the first of many LNG developments into the future.

[00:41:03.110]
So when we look at what that does to our AECO gas prices if you look at the chart in the bottom right hand side of the screen. This illustrates the basis differential between AECO and Henry Hub. So if you look at the past 18 to 24 months there's been a tremendous amount of volatility which means that for extended periods of time AECO has traded well below a dollar per MCF. And again it's caused a lot of hardships for our producers. When you look at the forward curve it's much flatter and it trades in a much tighter band.

[00:41:34.070]
So again, it's much more supportive of a stronger AECO prices and stable AECO prices. Over time, we believe that this will translate to more activity behind our facilities. The silver lining of our downturn in Western Canada over the last five years is that it's made our industry much more competitive. Our

producers have been very disciplined to drive down costs and some of that has been through the use of technology. So our basin is the lowest cost supply basin. And we can compete anywhere in the world. We just need additional egress and we're starting to see it now.

[00:42:12.360]
So with that I'm going to shift and talk about our north region. And our north region is centred around the Montney/Duverney developments. So. I thought it'd be great to start in where you can look at the economics. And we have three different price bands and the middle band The Grey band is the 55 WTI assumption which is where we are essentially today. You can see that these plays have very robust economics under this economic scenario and especially the plays that are situated between our Simonette and our Pipestone facility. That's a very liquids rich fairway. And that's translated into a lot of growth in the Montney in Alberta. As you can see here there's certainly a lot of resource in place and we certainly see the potential for a lot of growth in the future. And we're very well situated to benefit from that activity.

[00:43:11.250]
So again, still staying on the northern part of our portfolio we have three sites our Simonette facility which we recently expanded and not only do we add capacity we also added more enhanced extraction capabilities for liquids. We brought our first phase of our 150 million a day Wapiti facility on stream. And the second phase one at an additional 150 million a day will be brought on in 2020. And then in 2021 we'll have our Pipestone facility online which is about another 200 million a day of capacity. We're very well positioned to provide all the central services to develop Montney gas and these requirements are different than the legacy gas in the area.

[00:44:02.080]
On top of that a lot of the value is in the liquids. So we have efficient NGL egress and that will be with our KAPS pipeline that will be connected to these three facilities in 2022 and they'll deliver those liquids right into our hub at KFS in Fort Saskatchewan. Longer term, our goal is to interconnects all three facilities. When we do that. It helps our customers because we will be able to provide a more reliable service and provide them more flexibility as to where they can bring their gas into our system. For us it helps us enhance our profitability because it helps us more effectively utilize our capacity.

[00:44:46.590]
So again, when you look at the economics in the Montney, a large percentage of the value is generated from the condensate. So you need the facilities to handle that condensate, and we're building a significant amount of that. We'll have about 90,000 barrels a day of condensate handling capacity by 2021. And as I mentioned. With our KAPS pipeline we'll have direct access right into the condensate hub which is ours which is located between Edmonton and Fort Saskatchewan.

[00:45:19.430]

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Typically the Montney gas in this area has a higher sour content. And again that's relative to the legacy gas in the area. And so you need the facilities that can process that type of gas. We'll have about a BCF a day of this type of sour gas processing capacity again by 2021 when our Pipestone facility is online. We'll also have acid gas injection as well capabilities. And again that's the most environmently friendly way of disposing of H2S. On top of that we have extensive experience in processing sour gas both from a safety perspective and a reliability perspective.

[00:46:05.640]
Another service that's required for the Montney is water. There's a lot of water that's used for fracking but also a lot of formation water is produced with the production. So with that again we're increasing our water handling and disposal capabilities and we'll have about fifty five thousand barrels a day with our Pipestone facility once it comes online. Long term we are working on solutions where we can find more environmentally responsible means of handling that water and that will include recycling.

[00:46:42.200]
So I'm just going to switch over to our south region. And a lot of our legacy assets are located in the south part of our portfolio. And this is really in west central Alberta. It still has great geology. It's a liquids rich area with multi zones. The damage for producers in this area is that again there's a lot of infrastructure already in place with capacity so a producer can drill and bring their their wells on stream. And usually it's a short time because we have extensive gathering lines in the area and generate a return on capital within a few months. So again, that's a very attractive future and they usually don't have to make huge commitments to do that.

[00:47:26.570]
We have interconnected gas facilities as you can see enhanced liquids extraction. Again to capture the value of the liquids. And we have efficient egress with a Keylink pipeline system which gathers those NGLs and transports them to our fractionation at Rimbey.

[00:47:48.630]
We like to show this graph because it really illustrates how resilient the gas is in the southern capture area. And this dates back to 2010. And so this graph is prepared as if we owned all of our facilities 100%. The only adjustment is for Alder Flats gas plant which we built and brought on in 2015. Through that time period, you can see that natural gas prices on a relative basis has declined substantially over the last 10 years. And so has the oil price WTI prices which is a proxy for the absolute price of NGLs. So commodity prices have tanked significantly over that period of time. But especially over the last five years you can see again how flat that production curve is and the sharp dips represent when we've had turnaround maintenance outages. So again, you see the production responds quite quickly. If there's a slight dip in the production profile, the volume profile from the summertime. And again, that's when gas prices were trading at well below a dollar for extended periods of time. A lot of that gas is now back online now today.

The reason why the profile of the volumes is flat or two is because this is a more mature area than the tight gas plays like the Montney and the Duvernay up in the north.

[00:49:22.520]
So we've been talking about our optimization program in the south. And really what it's aimed at is to improve our overall competitiveness. And also our profitability of this segment of our business. And so when you look at this portfolio we have 14 gas plants that have over 2 BCF a day of capacity but only half of that capacity is being used today. So we are incurring significant redundant costs associated with operating this many plants. So our strategy is to redirect the gas to our most efficient facilities. That means the ones that are the lowest cost to operate, the ones that have the best liquids extraction and the lowest carbon intensity. By doing that we'll reduce our per unit operating cost, we will be able to more competitively attract volumes into our system and enhance the profitability for Keyera.

[00:50:21.450]
We also want to make sure that we preserve some capacity for recovery because we do believe there's another day for natural gas. But when that happens we want to capture that economic prize. So we expect to have more definitive plans with this program towards the middle of next year. And then we will implement our strategy. It will take several quarters to work those extra costs, redundant costs, out of our system. We've already started that with our Gilby consolidation already where that gas has been redirected to Rimbey.

[00:50:59.610]
And again just as a reminder we have very good geology in this area. It's multi zone liquids rich geology. And over time there will be a lot of hydrocarbons that would be produced. If you look at the economics. And again in this scenario the top bar eepresents a $2.35 equal gas price which is the range of where AECO is trading today. So you can see that there's some very robust economics. And again when you combine that with the fast return on capital that you can get in this area it's still an attractive place to drill over time.

[00:51:37.530]
Our goal is to enhance the overall profitability in this area again by providing competitively priced services. And also achieving the highest prices for natural gas liquids. I should also mention that one of the STACK plays in this area is the East shale Duvernay. And this play is developing right in the heart of our infrastructure in this area. There's been some very attractive wells that have been drilled by a number of producers and as this place develops again, we should be able to benefit from additional volumes into our system.

[00:52:15.240]
So, when we look at what to expect over the next five years from this business segment we're very excited about it. We want to achieve excess with our Montney build out. So we have to complete the

second phase of our Wapiti gas plant and also bring our Pipestone facility on stream as well. It'll take a couple of years to ramp up the volumes once those facilities are online. On top of that we're also going to access a lot more liquids which will support the downstream part of our NGL business. On top of that as I just talked about we're going to complete our optimization program in the south. And again we're gonna reduce our operating costs increase our utilization and increase our overall competitiveness to attract volumes into our system and enhance profitability. We're going to continue to look at opportunities to increase our liquids recovery because again this supports our downstream NGL business. And we're also going to selectively pursue growth opportunities on a very disciplined basis.

[00:53:26.000]
What that translates to. So if you go back to 2014 you can see how much cash flow we generated which was about 220 million dollars. We made some investments over the last five years and we've increased that to almost two hundred ninety million dollars and that's presented on the last 12 months basis. When we fast forward into 2024 we expect to achieve significant growth into the future. And that's with the Montney build out our portfolio optimization and other services that we're providing. This assumes no significant investments beyond what we've already sanctioned already.

[00:54:04.230]
So with that. I'll turn over to Brian Martin to talk about our liquids infrastructure.

[00:54:16.460] - Brian Martin
That gives you some insight into the discipline we have as a company we were told to go up from the right and exit from the left. So it's awkward but hey that's our discipline. So I'm going to talk to the liquids infrastructure side of our business. I've been working within the business development team here for about 12 years now and it's been a tremendous experience. It really has. It's been very rewarding to advance opportunities like we have with our diluent system our frac and storage, Norlite and BTT and then also now to see the very satisfying to see the positive results that they're delivering for our company. Also exciting as a business development guy to see the opportunities that we have in front of us and they are really tremendous and really weave well with our existing business.

[00:55:11.230]
I want to spend a few minutes just looking back over some of the keys to our success and one without a doubt has been the positive relationships that we've been able to develop with our customers and the focus item here for us really has just been to listen to them. It's as simple as that. And then off of that listening we've really been working hard then to try to satisfy their needs and wants both commercially and physically and then we've tried to do that with an end game of a win win arrangement for us. It's served us very well and in particular with advancing opportunities like our diluent system and then most recently getting KAPS across the line.

[00:55:54.600]

It's also again with this win-win mentality it's also led to frequently repeat business with our customers and in particular with the likes of Imperial, Suncor and CNRL we've been able to do additional business with them on services such as our diluent system and frac and solvents and KAPS most recently. Companies that we strive to do more business with and I'm sure you'd like to see us doing more business with. And along the way, we've also entered into many joint venture partnerships and I think this has really positively differentiated ourselves in the midstream space and our philosophy here is is really simply just been if the sum of the two parts coming together is better in terms of providing a solution than what each of us can individually do then why not. And we really haven't been shy about that at all.

[00:56:54.960]
So still looking back just quickly and David and Dean have touched on this but really another key to our success has been to advance infrastructure solutions really on an integrated path. And again it's really been helpful for us as well as really weaving our business together. Also because of that in many instances a barrel of a customer's product then will be handled at many of our facilities and in that case we're able to collect multiple fees. So today I'm going to talk to many of those assets. But first just quickly pull you back to David's slide where David laid out the priorities for liquids infrastructure team.

[00:57:37.490]
They are to increase NGL connectivity capacity and services to add to business we have serving the oil sands and then drive complimentary fee-for-service growth. So liquids infrastructure starts at the back end of our gas plants and I'm just going to talk to a few of these here first but really the NGL pipelines is again the start of this and NGL pipelines for us and for our producers provide a competitive and a safe means by which we can move NGLs from the field to the market and the 2 field gathering pipelines that Keyera is involved with are the Keylink pipeline and KAPS. I'm just going to talk briefly to Keylink here with you today and then I'll talk a little bit more on KAPS for you. Keylink as Dean noted really integrates our west central gas plants with our fractionation at Ruby. It's eight of our West Central gas plants that you'll be counting there. And again this project was completed in 2018. It brings us a nice fee-for-service business as well as commercial margin opportunities. It also should be noted that keeps trucks off the road. There is a lot of a lot of these barrels were previously moving around the province on trucks. So the pipeline solution was very eloquent in that manner.

[00:59:05.780]
So KAPS is a project you're certainly all familiar with. Similarly to Keylink then it integrates our gas plants with our fractionation. In this case it's our northern plants with our fractionation and storage in the in the Fort Saskatchewan area which is our key NGL hub. That's being advanced as a 50/50 joint venture with SemCAMS and most of you would be familiar with this. It consists of two segregated lines one for NGL mix one for condensate. And you can see that the pipe is running really right through the heart of the Duvernay and the Montney and these zones for the most part are stacked along the good portion of the route there. And what's important there is that they're very liquids rich and with the Montney really leading the way and I think you all hear lots about the Montney and I'd say it's for good reason. It's really a

massive deposit. I'd like to call it a beast but it's a massive deposit that really kind of compares favorably with the best there is in North America. Also along here then the producers drilling results continue to really meet or exceed expectations with respect to liquids recoveries. And so we feel very confident that the capacity that KAPS is bring into the market is needed.

[01:00:29.300]
To touch on some of the key attributes then for KAPS. The first is it will generate strong fee-for-service cash flows and returns for us. Our initial contracting is secured shipper commitments with an average term of 14 years. They all have 75% take-or-pay associated with them. And we're expecting starting in 2024 to generate a strong annual return on capital of between 10 and 15 percent. I will also note it's highly desired. So the gas producers, Petchems, oil sands producers all wanted competition in this space in KAPS is going to provide that for them.

[01:01:11.260]
Also want to highlight is as Dean noted as well condensate is the single biggest driver for a producer’s economics in this basin. And KAPS will provide the most direct shot from the field to where the end users are and where the demand is and that demand is within our condensate system largely in Edmonton/Fort Saskatchewan. So our customer base, the demand that we have, the liquidity that we have in our diluent system will really positively differentiate KAPS and we will look to leverage that benefit.

[01:01:48.150]
With respect to the joint venture partnership benefits then, the Keyera and SemCAMS plants will certainly logically be integrated into KAPS over time. By 2022 when we start up the two of us will have a combined nine gas plants operating along the route with processing capacity of 1.25 BCF a day. That will certainly benefit us. Again it's a liquids rich area more gas more liquids. KAPS will also provide us upstream and downstream benefits I'll touch more to those in a second. And then lastly it'll provide us, as Dean and David have both mentioned, it will provide us a platform for growth that really can be substantial. It's exciting. Can be substantial and will be really really well integrated with their existing business.

[01:02:41.100]
So our upstream and downstream benefits then. KAPS will provide us with a fully integrated infrastructure solution for this part of the basin. It's very important there's only one other party that has that. We will have the ability then to provide bundled or integrated services solutions in this infrastructure space and it's going to be able to allow us to have gathering and processing, liquids transportation, fractionation, storage, terminaling. And again really really provide us with a competitive advantage in this space.

[01:03:17.110]
KAPS will also provide us with more security liquids for our downstream infrastructure. It gives us a clear path for securing frac volumes for KFS as well as condensate for downstream diluent system. And lastly it also provides additional direct feedstock options for our AEF facility.

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[01:03:41.000]
As for providing a springboard for growth a big part of the growth that you'll hear from Keyera over the next five to seven years will likely hang off of the front and the back end of KAPS in particularly the back end. And Dean is going to touch more on those downstream opportunities later. But with respect to KAPS itself we're working collaboratively with North River an affiliate of Brookfield to really unlock the value of Northeast BC reserves and we're also engaged with Petchems to pursue and look at providing an ethane plus transportation service. Exciting and interesting opportunities for both of us.

[01:04:25.730]
To close out KAPS then you know we we love this project we really love it and we think that it's gonna be a tremendous success story for us. The first part though is we have to get the thing in the ground. And so we've got teams working feverishly back in Calgary. Then the engineering and the regulatory and stakeholder discussions and everything and our goal there is to have us begin construction in the back half of next year. So following along on the mixed side of things then. Next up is our fractionation and storage business that we have. We are one of four parties with fractionation and storage in the greater Fort Saskatchewan area. KFS: We have two fractionation units that total sixty five thousand barrels a day capacity and currently 15 caverns that add up to having 15 million barrels of capacity currently. On top of that most of you would be aware that we have an ongoing cavern development program that will see us adding one cavern pretty much every year at least for the next three years. Key messages around this part of the business are shown behind me. It's a high barrier for a new entrant to come into this space is one and then the second is our businesses has been strong and our utilization has been strong without KAPS. So with KAPS, we certainly feel like and expect incremental capacity will be required.

[01:06:00.550]
So again expanding a bit on these messages. I'll touch on three of the barriers for a new entrant in this space and the first is around connectiviyt. And the connectivity that we've developed over time is tremendous in a very congested area. So this Edmonton/Fort Saskatchewan area as you probably know is hugely congested. And we have tremendous connectivity then both upstream and downstream. So upstream for the feeds into our fractionation and downstream for the for the spec products and movements out to the market. The second barrier is cavern storage and caverns really provide a critical service to the fractionation business and it's slightly intuitive to most of you that they provide that benefit in terms of the market flexibility for the propanes and butanes and the timings of the sales and stuff that's probably intuitive but what might be less so is how critical they are in providing and ensuring takeaway reliability for producers in their upstream field operations. So no matter what's happening downstream in terms of operational challenges or logistical challenges those caverns basically smooth that out and make it a no- event and ensure that the producers production stays on stream. Very important for them.

[01:07:26.790]

The long and short when it comes to caverns I'd say Keyera and other operators in that Greater Fort Saskatchewan really are light years ahead of any other new entry coming into this space. We have the land we have the salt under the land we have the rights to mine that salt we have the water we have the brine disposals we have the brine ponds we have injection pumps we have economies of scale or multiple caverns so you get the gist but it's just a tremendous tremendous competitive advantage that we have and a tremendous barrier to overcome.

[01:08:03.110]
The third reason for third barriers is really it's just not getting any cheaper or easier to build built out infrastructure and so we have an existing operation now that can provide a competitive service now and not have to wait three years to build the infrastructure. And I suspect you hear constantly and we see it for sure there's costs and difficulties in building new infrastructure and again we have that infrastructure in place today. So those are the three barriers I thought I'd highlight for you. With respect to the need for incremental fractionation and storage then you've heard from from David and Dean that we feel like we're turning a corner as an industry here and producers aren't going to start to realize those better net backs immediately but they're going to start to gain line of sight we feel like to better net backs and it's for a lot of the reasons that the teams mentioned here already with the TC de-bottlenecks, LNG on the horizon a PDH or two, more LPG export facilities, strong condensate demand, all these things are going to we believe lead to the producers having a line of sight to better net backs and then in addition to that then third party data would would suggest that incremental fractionation will be required in this basin and we feel like we're in a very good position to earn a good share of that business.

[01:09:42.130]
We included this slide just to show you some of the land and where we have room for incremental growth beyond KFS. KFS is great but it's starting to get congested as well and so part of what we're challenged with then, I just talked about the barriers for a new entrant, we had barriers and have barriers to overcome to actually be able to to continue to grow ourselves out here and we really feel like we've to some extent cracked that nut with the barriers that we've knocked off here we've got excellent connectivity between KFS and out to that twelve hundred and ninety acre parcel we've got lots of pipelines running through there. We got the salt rates under a good portion of this land. We got good rail access. CN has rail just to the south of the twelve hundred and ninety acre parcel. Good highway access for trucks and it's all zoned heavy industrial as well. So in that twelve to a hundred and ninety acre parcel zoned heavy industrial and so what that means for us is that it's very possible for us to add process and more cavern infrastructure.

[01:10:50.100]
We note for you as well the rooting of KAPS. KAPS is snaking through that land and so it's not yet but at some point we hope to be able to talk about some business here and how we're leveraging that land into a tremendous piece of business for us. It's not yet but but hopefully someday.

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[01:11:12.080]
So I'm going to shift to the oil sands side of our business. A few key messages are showing for you on this slide. The first is we are the leading provider of diluent services in the Edmonton/Fort Saskatchewan area. Over time we've built out the system and have added infrastructure that really kind of can hit the mark for everything that the producers want and need in terms of services. Second is we're poised to capture additional diluent business and accommodate that growth within the infrastructure that we have. And the third is we will continue to look to leverage our strong customer relationships. Strong and trusting customer relationships into other products services much like we've done with solvents and most recently the sulphur business.

[01:12:02.160]
So our customers. This slide shows some of them others are bashful about showing their names and logos in the marquee lights so we don't have them all here but there's a few. It's safe to say though we have business with pretty much all the oil sands producers as well as the diluent traders and with many and most of them we have long term service arrangements that include take-or-pay, fee-for-services arrangements that provide transportation, storage and in some cases rail offloading services. I'll note as I'm sure you're aware that many are great counterparties to deal with.

[01:12:45.410]
This next slide then shows Keyera's rough market share of the diluent business in the Edmonton/Fort Saskatchewan area. The takeaway here is from a transport perspective we're touching between 55 and 60 % of the the oil sands demand for diluent and from a storage perspective we provide between 65 and 70 % of the business. So good numbers. We're certainly proud of them but we continue to try to aggressively grow our market share in that respect.

[01:13:17.710]
So now I'm going to hopefully wow you with a progression slide of our condensate system over time. We'll see how this works out. It's taking us about 10 years to build out the system and all the ins and outs and the adding of infrastructure that we've done. But before you see these flash through I'll just note that about 11 years ago we set out to provide services to a growing industry need around diluent and it started with the Imperial Oil Kearl contract for us and then over time we've really had a consistent goal of adding connections and then also adding customers. You can see some of the ins and outs as they go along here.

[01:14:00.760]
See Norlite come on. That's our joint venture with Enbridge. South Grand Rapids. More connectivity. And then KAPS as I mentioned, will come into the system. So there, I couldn't get the fireworks and the smoke into here for that but hopefully that kind of wow'ed you. So the takeaways here really for you is that it's a high barrier. Again to compete it's a very congested area. We have capacity to grow so that South Grand Rapids pipeline and some redundancy that we have with shipping pumps really allows us, and in Norlite,

allows us to incrementally add volumes without much expenditures of capital. And then also again we can really provide the customers what they need and want. So I just want to touch a little bit on that and expand a little bit on that last point and provide you with some things to consider. So if you're a customer on our system and you want supply you can get supply from Southern Lights, from Cochin, from any of the fracs, from Pembina CDH from north west, from rail offloading and soon KAPS. So tremendous flexibility there if you're wanting to deliver volumes out to any of the oil sands projects on any of the long-haul pipelines. You can hit Cold Lake, Inter Pipeline's Polaris line, access Norlite. Again tremendous flexibility in that regard.

[01:15:34.610]
We have a competitive fee structure on the system. We're in the ground now and so we have a strong position to be able to compete. On the storage side, again it's probably intuitive to you that the market flexibility that comes with having the cavern storage but also really serves as insurance for the oil sands operations. Those companies have spent billions of dollars on their operations and it's so critical that it not be interrupted because of diluent. And so no matter what's happening upstream and the diluent chain of things operationally or logistically those caverns provide the insurance that those oil sands operations need.

[01:16:13.970]
Also liquidity for our customers. Our customers are trading more than a million barrels a day on the system and we're moving more than 400000 barrels a day. But that's paper and physical trades in the system are tremendous and it allows our customers to get in and out of positions very easily and operational flexibility so above ground tanks that we have in our Edmonton terminal, our customers love these tanks and so what they've encountered since day one and what we've had to deal with as well as is the unreadable nature of of intraday business and so what I mean by that is the volumes almost on an hourly basis coming into this system aren't matching up with the rates in the hourly volumes that are wanting to go off the system and so the tanks really provide this balloon effect on the system that just again smooths that out makes it a non-event. It's hugely valuable and the customer's absolute love them. Operational reliability and capacity again South Grand Rapids and the shipping pumps I mentioned that already but we have capacity to grow there.

[01:17:23.470]
Next slide then here's shows a view on the bitumen and diluent demand growth for all the reasons just mentioned we believe on our Edmonton/Fort Saskatchewan system as well as on Norlite we're in a good position to capture or a good share of this growth. And I'll emphasize again one more time that we can accommodate a lot of that growth without spending a lot of capital. And this has been the case with some of our recent ads in the Cheecham area that we've been successful with on both systems.

[01:17:54.300]

So that's all I was going to talk to with respect to specific assets. So I'll start to wrap things up then with pulling things back a little bit to David's slides on the priorities and so the deliverables are shown behind me here. But you can expect from us over the next five years then to have success with KAPS both commercially and with respect to project execution. Very confident in that and looking forward to getting KAPS on stream. Adding fractionation storage. We expect to need it. Gaining incremental business with oil sands producers so both into our condensate system as well as with other products. We'll look to leverage our strong trusting customer relationships to help in that. And growth that is integrated in the wheelhouse of what we do well. And you've heard that a big part of the growth for the company will come from the liquids infrastructure side of the business over the next three to seven years.

[01:18:51.330]
So what has liquids infrastructure meant to us as a company then, the contribution is growing from $189 million in 2014 to a 12-month trailing total of $370 million, so pretty much a 100% growth in five years. The biggest contributors to that has been are our frac and storage. Our condensate system, Norlite and BTT. And over the next five years we have line of sight to opportunities that that should have us on our way to possibly doubling the cash flow again. And those opportunities will include KAPS, possibly more fractionation and storage, possible expansion of BTT, Wildhorse and then some of the other opportunities that'll hang off the KAPS. Dean will touch on some of those.

[01:19:39.750]
What gives me confidence in this is that the team that I have behind me I have a tremendous team now back in Calgary that I'm very fortunate to work in a fantastic group. They're driven, they're creative and have a genuine desire to find win-win arrangements. So we will get it done. Thanks for listening and take the time to day. I'm going to pass it off to Jamie Urquhart now who will lead you through the important and valuable marketing side of our business.

[01:20:08.480]
Excellent. Coming up the right side.

[01:20:18.630] - Jamie Urquhart
I love this slide. I want everybody please to remember this slide.

[01:20:25.960]
So good morning everybody. My name is Jamie Urquhart, Keyera's Vice President of Marketing. I've been with the company for 15 years as with Dean. It's a little bit of a running joke. I haven't had a contiguous 15 years. I was with the company for the first 10. Since its inception out of Gulf Canada Resources. Took a brief hiatus for not 18 months but seven years. So you can imagine the lunch that I had with Dave asking to come back after seven years. It's a little bit more challenging I put on my best marketing expertise to do that but I've been back now for five years and in the last year I've been in charge of leading our marketing team.

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[01:21:08.020]
So you know I am an engineer by trade. Full disclosure so when I when I heard I had the opportunity and I can't speak for the people that I lead but there's one individual that's in presence today so you can go up and ask them but, what their reaction when they heard that the vice president of operations was gonna be in charge of the marketing group. But from my perspective it's been extremely enriching and positive experience for me personally. But hopefully I brought some additional things to my to my group that they similarly see as positive. But the thing I've been most impressed with is not only the creativity because I'd seen that over the last 20 years of the organization but it's really the discipline and you hear that word a lot in our presentation today. And I want people hopefully to also remember when you go away today that discipline is a big part of the marketing team as well. OK.

[01:22:09.810]
So. You know you've seen this slide. The marketing is on the back end where we're more on the sales side with our customers. But really the relationship between marketing and gathering & processing and liquids and infrastructure is very symbiotic from the perspective of the hard assets the fee-for-service assets they enable our ability to find high value markets. Without them we would be just any old marketing shop in town. But the fact is we're not. We have those assets that we utilize. But in addition, on the flip side, marketing allows us through finding those highest value markets to have our customers view gathering, processing and liquids infrastructure. Those are higher value services that we provide because of that integrated offering that that we provide. OK.

[01:23:04.050]
So the strategic priorities for marketing as David alluded to is access to those high value markets. So I've done this presentation and a dry run many times I feel like I'm repeating myself but these are important words to repeat where our access in highest value markets for our customers and for our shareholders. And we're also maintaining that disciplined effective risk management program to ensure that we're locking in the margins for the company and for those customers.

[01:23:32.770]
So what commodities do we touch all the NGL commodities. And also we touch iso-octane which is an upgraded product of butane it's a differentiator for us that we'll talk about. We won't speak much about specific value chain on the ethane side other than to say that it provides a significant contribution to the company from a fee-for-service perspective of us extracting and transporting ethane on behalf of our customers to the petrochemical industry in Alberta. And I think Dean's going to speak to some opportunities that we see on the ethane side in his further comments.

[01:24:15.550]
So how does marketing create value. First and foremost it's really underpinned by superior customer service. And superior customer service in my team's mind is it's not just price. It's ensuring that we're

delivering on the services that we've committed to deliver on. And this year we've been able to do that in a very meaningful way. I have the opportunity because I'm the new leader. I hear lots of feedback from our customers. I met a couple of customers yesterday and the feedback that I hear is always very positive and it's not always because we give the best price. And we do often but it's because we give the best service. One of our values is accountability and responsibility. And every once in a while things don't go perfectly. Railroads go on strike, facilities unfortunately have issues. This year we've been able to deliver on what we committed to our customers. And that's extremely valued, valuable to our customer. So but of course we buy and we sell NGL products and we do that by leveraging and utilizing our hard assets our fee-for-service assets in the form of custom fractionation storage, logistics terminals. That's rail and truck. But it's also thirty five hundred leased railcars that provide the flexibility to be able to hit whatever market is available to us in North America. And now with export terminals offshore markets as well.

[01:25:45.160]
So we utilize service providers on the rail and the truck and the pipe side. We have strong partner and customer relationships and we have 20 years of expertise in dealing and finding the highest value in North America. And then it's all the umbrella of risk management. Risk management to ensure that we're retaining the value of inventory and then we're also locking in margins when it makes sense.

[01:26:13.710]
Okay. So what we don't do is we don't do speculative trading. And we don't take frac spread risk. And that all equates into creating value for the company and the value is quite impressive in my opinion. $1.1 billion over the last five years of contribution of free cash flow to this organization and that's been used to fund our capital growth program in this organization.

[01:26:38.860]
So I was hoping to take a little bit of time and I'm coming over the other side of the screen I was given some feedback yesterday that was much more comfortable over here and I'm a superstitious engineer as well. So I want to speak to you now over here. But on the propane side we'll speak a little bit on each commodity with respect to the uniqueness of the value chain. And I made a comment to one of my direct reports who coincidentally is in charge of the propane book and I said you know propane feels to me like it's sort of the ugly duckling of all the commodities and you can imagine the reaction that he had with me when I called it the ugly duckling and I've really come to appreciate you know the opportunities on the propane side of our business looking forward. We've got great assets with respect to storage and the logistics assets that we talked about the rail cars and whatnot. But you know the next slide that we're going to talk about is more about where the markets are headed. But given the fact that propane in North America is seasonal it's the storage and the flexibility to be able to hit those markets with the logistics is imperative to be able to find those highest value markets. And then once again we use the risk management program to lock in and retain the value of the inventory.

[01:28:00.190]

So this is the slide I was alluding to, tend to sometimes get ahead of myself. So right now the majority of the pricing of propane is off of the indices. We've got a strong local market the local market is growing in the form of solvents and also in the form of PDH that's being built in the province of Alberta. We're also starting to see some access to foreign markets with respect to some export terminals that were built several years down in the Gulf but more specifically on the west coast to be able to hit the Asian market. And what we're seeing is we're seeing a more balanced in my group's view ability to access those different markets and why that's key is because you never know when one market is going to give you something that you can take advantage of. Those opportunities if you have the right assets and you have the flexibilities you can capture a significant amount of value for your customer and for our shareholders.

[01:28:57.570]
So that's propane. On the condensate side Brian did a fantastic job. My picture here doesn't transition. We don't have enough time for that but really it's you know it's an industry leading condensate system. We touch the majority of the barrels that ultimately go up into northeast Alberta to the oil sands and that's really the big differentiator for customers that do business with Keyera on the condensate side. They have the access to the highest value market because they are dealing with the highest flexible; touch the most elements of the marketplace. The other asset that we have that is also very complementary and unique to Keyera is our Alberta Diluent Terminal. So the Alberta Diluent Terminal, what it allows us to do is buy volumes opportunistically throughout North America. Whenever we see an opportunity to buy, forgive me, a distressed barrel or a lower price barrel we'll purchase it. We'll rail it back into the Alberta market we'll introduce it into that condensate system tend to be very attractive barrels in that they're lighter and more attractive in the eyes of the oil sands producers.

[01:30:12.740]
Okay. And then there's butane. Butane really, the step change for us was obviously the AEF acquisition in 2012 and ability to then upgrade the value of butane into iso-octane. We've also done a lot of work within our butane system in Edmonton to be able to tap into blending opportunities, whether that's refineries or for other customers served in the oil sands. So you know, once again butane is you know we have assets that differentiate Keyera in the eyes of our customers from a butane perspective. So let's touch a little bit about iso-octane it's a very significant contributor to the marketing margin in Keyera and we envision it's going to continue to be. So I'm not sure if everybody's aware but 1.4 units of butane produce one unit of iso-octane the price of iso-octane is basically a premium off of gasoline and gasoline is priced off of a WTI plus an RBOB premium. Both WTI and RBOB are very tradable indices and as a result of that our risk management program. Very disciplined and being able to lock in the margins off of that component. Not so much on the iso-octane premium side and so maybe spend a few minutes just talking about our view on iso-octane premium.

[01:31:39.500]
One of the things I think everybody's aware I would hope that you know AEF has been a significant contributor to our results in 2019 and often people assume that that's primarily due to the input costs the

feedstock of butane. On the flip side we've also seen some very very strong pricing on the iso-octane side of the thing. So it's a combination of both. Our expectations on the butane side is obviously the pricing that we saw in 2019 is not going to be you know the same pricing going forward and we can certainly talk about that in the break of where our view is on butane won't get into it today but our view on iso-octane is extremely bullish.

[01:32:24.020]
And so the right hand side of the slide is to help people get an appreciation or hopefully maybe you know this already around some of the fundamentals that go behind the demand and pricing of iso-octane. So let's start with gasoline. So at the end of the day if there's no gasolines to blend with the iso-octane we don't have a market for price so octane. In our view and third party views is that the demand for gasoline is coming off the refineries in North America is going to continue to be very strong. The demand on the North American continent is going to be coming off slightly with electric vehicle introduction. But the reality is that majority of North Americans love their vehicles and they love the internal combustion engine as part of that vehicle but also with respect to some of the refineries with regulations in Latin America and in the Caribbean. What's being forecast is that there's still gonna be a strong demand off the back end of North American refineries to making gasoline into the export market. So most third party forecast would have you see a flat gasoline production profile in the five plus year term. That's important because once again this iso-octane is an octane additive to gasoline.

[01:33:43.700]
The other thing that we're finding is that gasoline is coming off the back end of the refineries for some regulatory requirements on the sulfur side benzene side. I don't want to get into too much detail but we're seeing that the octane is on those gasolines are actually reducing. So in order to meet the specifications of gasoline we need more octane additives to be able to get to those specifications. So that's driving a demand for more octanes. And also an expectation that potentially North America gasoline specifications are going to be more stringent similar to Europe whereby gasoline octane requirement is going to be going up as well. Once again increasing more demand for octanes.

[01:34:27.890]
So then we look at iso-octane against its peers which is an alkylate reformate it's a naphtha and iso-octane has the most desirous properties of all octane additives from the perspective it has the lowest RVP contender, or vapor pressure and it has the highest octane content. OK. So when we pull all these things together our view and most views of others that we talked to in the space is that iso-octane will continue to have a very, very strong demand going forward. And similarly will be priced very strongly as well.

[01:35:08.090]
OK.

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[01:35:09.440]
So the next slide is really to start speaking about our U.S. strategy. This slide was intended to illustrate that we've been in these markets for the last 20 years. We've been in the Midwest and Conway market. Selling both propane and butane Gulf Coast markets in Mount Belvieu and also we've been very active in the Bakken with respect to being able to access butane so that whether we pull into Alberta or we pull back into markets in the U.S. And we also will hit niche smaller markets to be able to sell product as well.

[01:35:50.600]
Once again back to the railcar and the terminals that allows us to hit whatever market is the highest value market at any given time. So really our Canadian strategy around having assets around to enable us to execute our marketing strategy, we're looking to replicate that strategy in those U.S. markets that we've been doing business for the last 15 to 20 years. So here's the examples of what we're looking at. So we purchased Oklahoma's Liquids Terminal back in 2018 very analogous to our Keyera Edmonton terminal. So it's a logistics plus a blending facility that we've you know we've got a lot of expertise and it's exceeded our financial expectations. We're very pleased with that asset. Part of it stemmed around the ability to access less expensive feedstock and butane that's blended that facility. And we continue to be very optimistic around that facility being able to perform the way we saw it perform in 2019.

[01:36:56.650]
Wildhorse is an asset and an opportunity. We're very excited about very similar in size and scope to baseline tank terminal that we have in Edmonton. Fee-for-service business. You know, in the most liquid oil hub in North America. So at the end of 2020 when it comes online we expect very strong results from it as well. And then finally a new investment that we're announcing today which is a butane on demand gasoline blending facility at the Galena Park Terminal in the Houston ship channel and that's the same Galena Park that we have been shipping a significant amount of iso-octane into over the last five/six years since we've owned AEF. That is technology that's very similar to the iso-octane blending and it also involves the same customers that we've been dealing with on the iso-octane side. We'll be now dealing with on the butane on demand blending for gasoline at that facility as well.

[01:38:06.880]
So finally I missed one point Oklahoma liquids terminal and Wildhorse as we go to the next slide you can see it there they're actually quite synergistic as well from an operational and commercial perspective as well. So now hopefully we can see that we're starting to round out the same strategy that we have in candidate now in the US in markets that we're very familiar with very targeted niche investments high rate of return investments to supplement our business as we grow that business. So in the Gulf Coast the only thing I haven't talked to is the Hull Terminal. We purchased that facility and have been able to now put some pipe around that to access to the east the Beaumont Port Arthur market and to the west Mount Belvieu.

[01:38:57.990]

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So where we're headed in the next five years. Well, the expectation is that we're going to have Wildhorse up and running and very happy with the returns that we're expecting off of that asset in late 2020. We have the new Galena Park butane on demand blending facility that I just introduced. Opportunities around KAPS that Brian talked about and that's why I love the slide that he you know finished off with is that our ability to be able to create margin within the marketing group is very much influenced by the assets that are upstream of it And as we add more and more assets and bring more volumes into the Edmonton market through KAPS we expect that we're going to be able to grow our business in the same disciplined manner that we have in the past. And we'll continue to selectively pursue high value niche opportunities. One point though in the states we're going to make sure that we see the results that we expect from the assets that we've sanctioned to date before we would likely get into pursuing additional opportunities in the US. So what does that all mean? Well that means that an expectation is that we're going to increase that base guidance that we currently have in place which is $180 to $220 million a year.

[01:40:19.300]
And for 2020 I'm guessing that there is not many people in the room that would be surprised by my, you know, the statement that our realized margin in 2020 is expected to exceed that base of $180 million to $220 million. We expect that will provide formal guidance with our Q1 results in May but for now obviously we feel comfortable in the statement at the bottom of that slide.

[01:40:48.050]
So similar to and you know in lockstep with the graph that Brian showed is our expectation is that we're going to continue to be able to grow the base you know going forward and we didn't talk much about the market opportunities but the flexibility of the assets allows us to be very opportunistic to be able to you know to to do better than the base and we expect obviously with more assets and the existing assets that we have to continue to be able to execute on that as we have in the past.

[01:41:29.300]
So with that I believe we're going to break. And I think Lavonne has some specifics about details on the break. But thanks very much everybody for your attention.

[01:41:42.540] - Lavonne Zdunich
We are going to take a 15 minute break right now. For those of you who are joining us here today please join us out in the lobby for coffee and refreshments. And those on the webcast. We will be back at ten thirty. Thank you.