



# VERESEN

## Veresen Q1 2017 Conference Call

May 4, 2017

# Forward-Looking and Non-GAAP Information Advisory

Certain information contained in this presentation constitutes forward-looking information under applicable Canadian securities laws. All information, other than statements of historical fact, which addresses activities, events or developments that we expect or anticipate may or will occur in the future, is forward-looking information. Forward-looking information typically contains statements with words such as "may", "estimate", "anticipate", "believe", "expect", "plan", "intend", "target", "project", "forecast" or similar words suggesting future outcomes or outlook. Forward-looking statements in this presentation include, but are not limited to, statements with respect to: the amount of distributable cash to be realized by Veresen in 2017; the completion of current capital projects under construction; in service date of a future expansion of Alliance; the ability to extend contracts on, and expand, the Alliance Pipeline; the timing of the closing and cost of the transaction with Pembina and the anticipated benefits of the transaction with Pembina including the as anticipated synergies, growth opportunities associated with the assets of the combined company; the ongoing utilization and expansions of and additions to the combined company's business and asset base, growth and growth potential and financial results related to and growth opportunities associated with the assets of the combined company and amount of future dividend; and the timing of the completion of the sale of Veresen's power business. The risks and uncertainties that may affect the operations, performance, development and results of our businesses include, but are not limited to, the following factors: the ability of the parties to satisfy the conditions to closing of the Pembina transaction; that favourable circumstances continue to exist in respect of current operations and current and future growth projects (including the ability to finance operations and such projects on favorable terms), future levels of oil and natural gas development, potential revenue and cash flow enhancement; future cash flows; with respect to Pembina's future dividends and results: prevailing commodity prices, margins and exchange rates, that the businesses of the combined company will continue to achieve sustainable financial results and that the combined company's future operations and results of operations will be consistent with past performance of Pembina and Veresen and management expectations in relation thereto including, the sanctioning and completion of any third party projects relating to growth projects, future operating costs, the availability and sources of capital, operating costs, ongoing utilization and future expansion for the combined company, the ability to reach required commercial agreements, and the ability to obtain required regulatory and environmental approvals on the necessary terms and in a timely manner, the continuation of timely performance by counterparties to material agreements; and that unforeseen events will not prevent the continued performance of contracts; levels of oil and gas exploration and development activity; the status, credit risk and continued existence of contracted customers; the availability and price of capital; the availability and price of energy commodities; the availability of construction services and materials; fluctuations in foreign exchange and interest rates; our ability to successfully obtain regulatory approvals; changes in tax, regulatory, environmental, and other laws and regulations; competitive factors in the pipeline, NGL and power industries; operational breakdowns, failures, or other disruptions; and the prevailing economic conditions in North America. Additional information on these and other risks, uncertainties and factors that could affect our operations or financial results are included in our filings with the securities commissions or similar authorities in each of the provinces of Canada, as may be updated from time to time. Although we believe the expectations conveyed by the forward-looking information are reasonable based on information available to us on the date of preparation, we can give no assurances as to future results, levels of activity and achievements. Readers should not place undue reliance on the information contained in this presentation, as actual results achieved will vary from the information provided herein and the variations may be material. We make no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained herein are made as of the date hereof, and, except as required by law, we do not undertake any obligation to update publicly or to revise any forward-looking information, whether as a result of new information, future events or otherwise. We expressly qualify any forward-looking information contained in this presentation by this cautionary statement.

Certain financial information contained in this news release may not be standard measures under Generally Accepted Accounting Principles ("GAAP") in the United States and may not be comparable to similar measures presented by other entities. These measures are considered to be important measures used by the investment community and should be used to supplement other performance measures prepared in accordance with GAAP in the United States. US GAAP requires us to equity account for our investments in jointly-controlled businesses. However, we have chosen to provide some information on our jointly-controlled businesses on a proportionate basis to assist the reader. For further information on other non-GAAP financial measures used by Veresen see Management's Discussion and Analysis, in particular, the section entitled "Non-GAAP Financial Measures" contained in the annual Management Discussion and Analysis, filed by Veresen with Canadian securities regulators.

# First Quarter Highlights

## Strong Operational and Financial Performance

- Distributable cash for the quarter of \$104 million or \$0.33 per Common Share
- Full year 2017 distributable cash guidance increased approximately 6% to a range of \$1.07 per Common Share to \$1.19 per Common Share
- Invested over \$160 million into growth projects in the first quarter
  - Over \$940 million invested to date into projects that are not yet generating cash flow
- Major processing facilities at Veresen Midstream tracking ahead of schedule and below budget
  - Tower and Sunrise in service late 2017; Saturn Phase II in early 2018
- Initiated discussions with Alliance shippers to extend the term of existing contracts and explore potential expansion through additional compression
  - Target in-service date in late 2020

# Transaction With Pembina

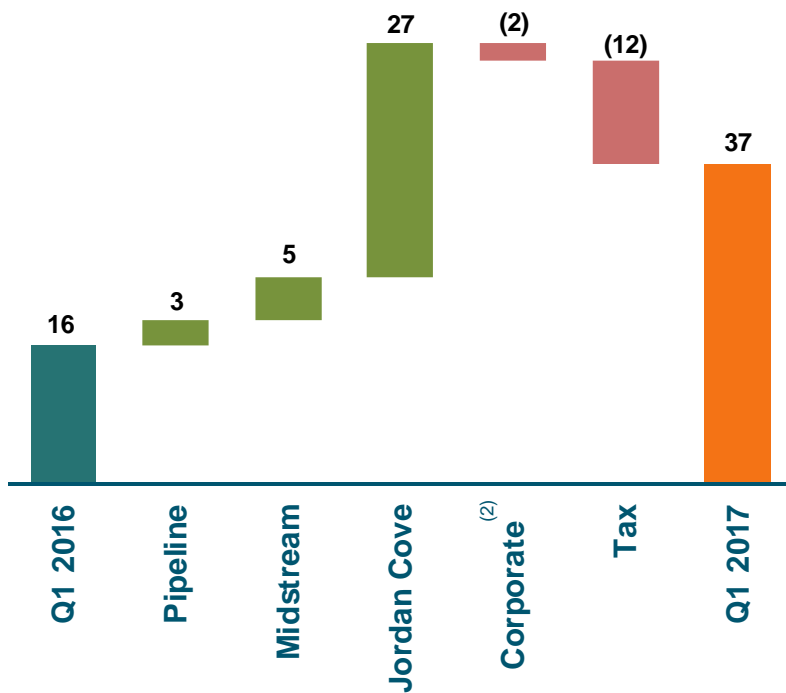
Combined entity greater than the sum of its parts

- Integrated business across the energy infrastructure value chain
- Market position and geographic footprint difficult to replicate
- Portfolio of over \$5.5 billion in projects to drive meaningful growth
- Enhanced capabilities to secure and execute future growth opportunities
- Attractive cash dividend at a lower payout ratio
- One of the strongest balance sheets in the Canadian infrastructure space

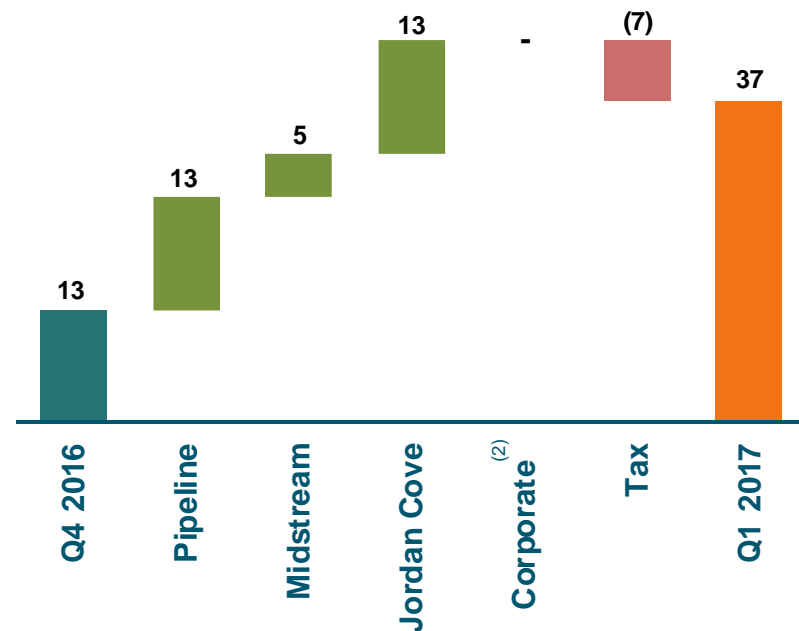
# Adjusted Net Income from Continuing Operations

Comparisons to Q1 2016 and Q4 2016

Q1 2016 vs Q1 2017<sup>(1)</sup>  
(\$mm)



Q4 2016 vs Q1 2017<sup>(1)</sup>  
(\$mm)

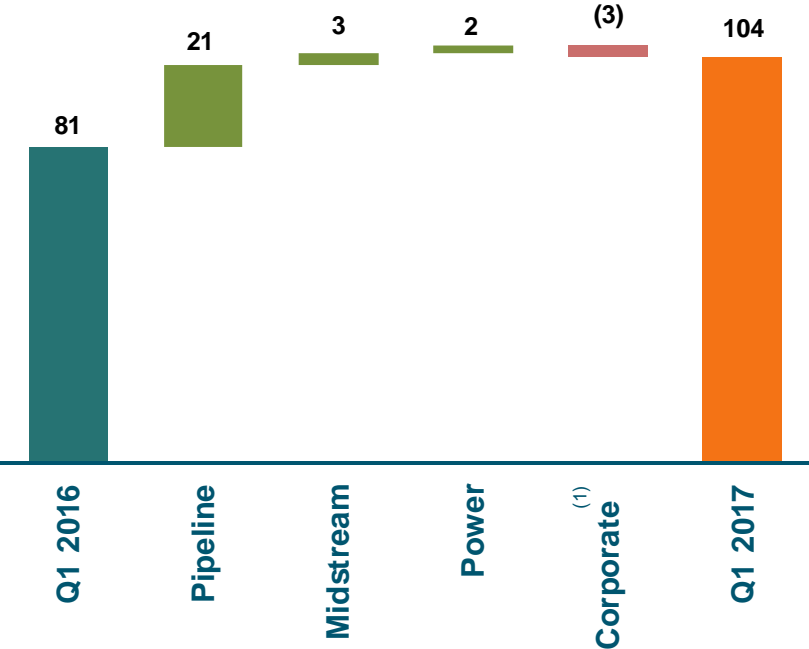


(1) Adjusted Net Income excludes Power, which has been classified as Discontinued Operations  
 (2) Corporate includes preferred dividends

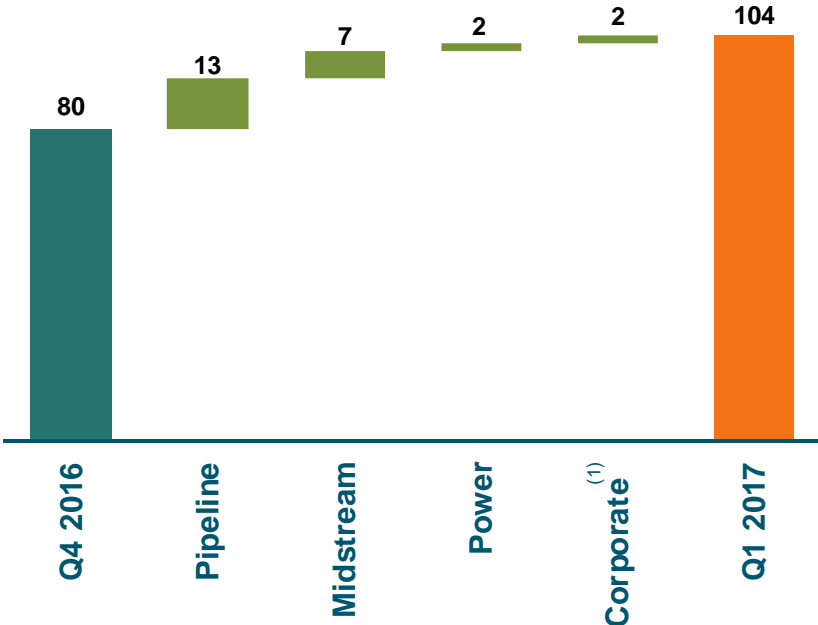
# Distributable Cash

Comparisons to Q1 2016 and Q4 2016

**Q1 2016 vs Q1 2017**  
(\$mm)



**Q4 2016 vs Q1 2017**  
(\$mm)



(1) Corporate includes preferred dividends

# 2017 Guidance Increase

Distributable cash of \$1.07 to \$1.19 per share, assuming power sale closes Jun 30, 2017

		EBITDA		Interest		Principal		Maint. Capex	Other		Distributable Cash	
		Low	High	Low	High	Low	High		Low	High	Low	High
<b>Pipelines</b>												
Alliance	\$mm	\$271	\$286	(\$45)	(\$46)	(\$65)	(\$66)		\$37	\$38	\$198	\$212
Ruby	\$mm	\$182	\$204	(\$47)	(\$49)	(\$47)	(\$49)		\$30	\$17	\$118	\$123
AECS	\$mm	\$27	\$28	(\$4)	(\$4)	(\$4)	(\$4)				\$19	\$20
Total Pipelines	\$mm	\$480	\$518	(\$96)	(\$99)	(\$116)	(\$119)		\$67	\$55	\$335	\$355
<b>Veresen Midstream</b>	\$mm	\$69	\$79	(\$18)	(\$18)	(\$4)	(\$4)		\$19	\$9	\$66	\$66
<b>Aux Sable</b>	\$mm	\$21	\$36			\$0	\$0	(\$7)	(\$7)	\$3	\$7	\$32
<b>Total Asset Level</b>	<b>\$mm</b>	<b>\$570</b>	<b>\$633</b>	<b>(\$114)</b>	<b>(\$117)</b>	<b>(\$120)</b>	<b>(\$123)</b>	<b>(\$7)</b>	<b>\$79</b>	<b>\$67</b>	<b>\$408</b>	<b>\$453</b>
<b>Corporate</b>												
Administration	\$mm	(\$36)	(\$34)								(\$36)	(\$34)
Debt Service	\$mm			(\$37)	(\$35)						(\$37)	(\$35)
Current Tax	\$mm											
Pref. Share Dividends	\$mm								(\$26)	(\$26)	(\$26)	(\$26)
<b>Total Excl. Power</b>	<b>\$mm</b>	<b>\$534</b>	<b>\$599</b>	<b>(\$151)</b>	<b>(\$152)</b>	<b>(\$120)</b>	<b>(\$123)</b>	<b>(\$7)</b>	<b>\$53</b>	<b>\$41</b>	<b>\$316</b>	<b>\$355</b>
<b>Per Share</b>	<b>\$/share</b>										<b>\$1.01</b>	<b>\$1.13</b>
<b>Power</b>	\$mm	\$37	\$38	(\$8)	(\$8)	(\$6)	(\$6)	(\$3)	(\$1)	(\$1)	\$19	\$20
<b>Total Incl. Power</b>	<b>\$mm</b>	<b>\$575</b>	<b>\$650</b>	<b>(\$160)</b>	<b>(\$165)</b>	<b>(\$125)</b>	<b>(\$130)</b>	<b>(\$10)</b>	<b>\$45</b>	<b>\$40</b>	<b>\$335</b>	<b>\$372</b>
<b>Per Share</b>	<b>\$/share</b>										<b>\$1.07</b>	<b>\$1.19</b>

- (1) Assumes exchange rate of C\$1.33/US\$, AECO – Chicago Citygate Basis of US\$0.85 - \$1.15, USGC ethane margin of US \$0.04 to US\$0.06/gal and USGC propane plus margin of US\$0.18 to US\$0.38/gal
- (2) Ruby's fixed distributions represent Veresen's dividends received on the convertible preferred interest held in Ruby Pipeline LLC
- (3) In 2017, Veresen Midstream will pay fixed distributions of \$116 million, of which Veresen's share is \$66 million. The PIK structure will allow Veresen to receive approximately 57% of 2017 cash distributions while it will record approximately 47% of 2017 net income
- (4) The low and high estimates applicable to each line item are not intended to be additive and therefore will not add to the low and high totals
- (5) Assumes 313.6mm shares outstanding
- (6) Distributable cash guidance sensitivities on a pre-tax, annualized basis are: +/- \$0.01 change in C\$/US\$ exchange rate of +/- \$2mm, +/- US\$0.15/mmbtu change in Chicago – AECO basis differential of +/- \$5mm, and +/- US\$0.05/gal change in propane plus frac spread of +/- \$7mm

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## Q&A