

February 2020

# Investor Update

TSX : SES | [secure-energy.com](https://secure-energy.com)

**SECURE  
ENERGY**



*Delivering energy to the world, so people and communities thrive*

# SECURE ENERGY Overview

**156.5**

Common Shares  
Outstanding  
(millions)<sup>(1)</sup>

**\$792**

Market  
Capitalization  
(millions)<sup>(1,2)</sup>

**~5%**

Dividend Yield

**\$1.3**

Enterprise Value  
(billions)<sup>(1,2,3)</sup>

**\$0.27**

Annualized  
Dividend per  
Share

**18%**

Free Cash Flow  
Yield<sup>(1)(2)(4)</sup>

*Delivering value-adding midstream infrastructure solutions across Western Canada and the U.S.*

- » Strategically located oil and water pipelines, midstream processing facilities and storage
- » Recurring cash flows generated from oil production processing and disposal, crude oil logistics, marketing and storage
- » Executing a disciplined growth strategy with new projects supported by contracted or highly reliable volumes
- » Strong management team with a proven track record since inception in 2007
- » Creating shareholder value through a stable and increasing dividend and opportunistic share buybacks

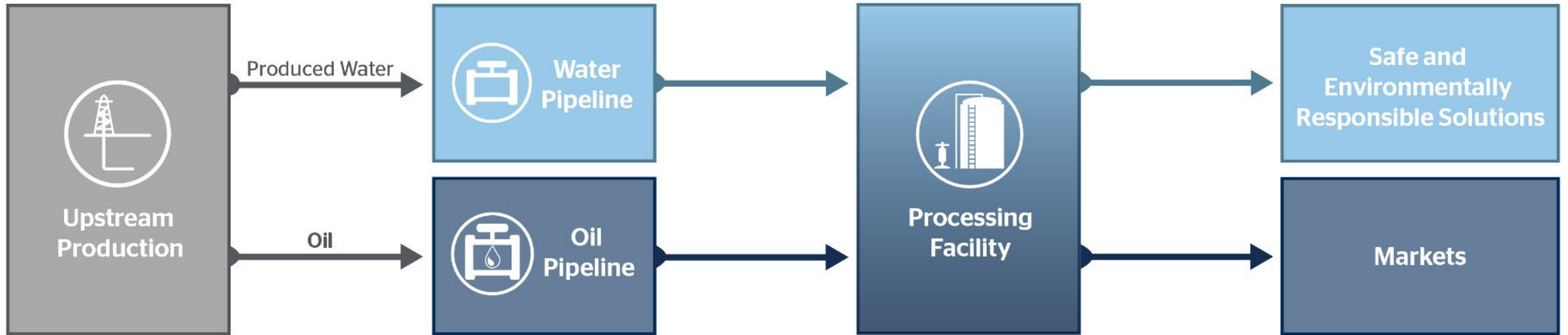
(1) Common shares outstanding as at December 31, 2019.

(2) Based on share price as at December 31, 2019 of \$5.06 per share.

(3) Debt as at December 31, 2019.

(4) Calculated as trailing twelve month Adjusted EBITDA less interest and sustaining capital expenditures as at December 31, 2019 as a percentage of Market Capitalization (1,2). Refer to Non-GAAP measures.

# Vision: Do Midstream Differently



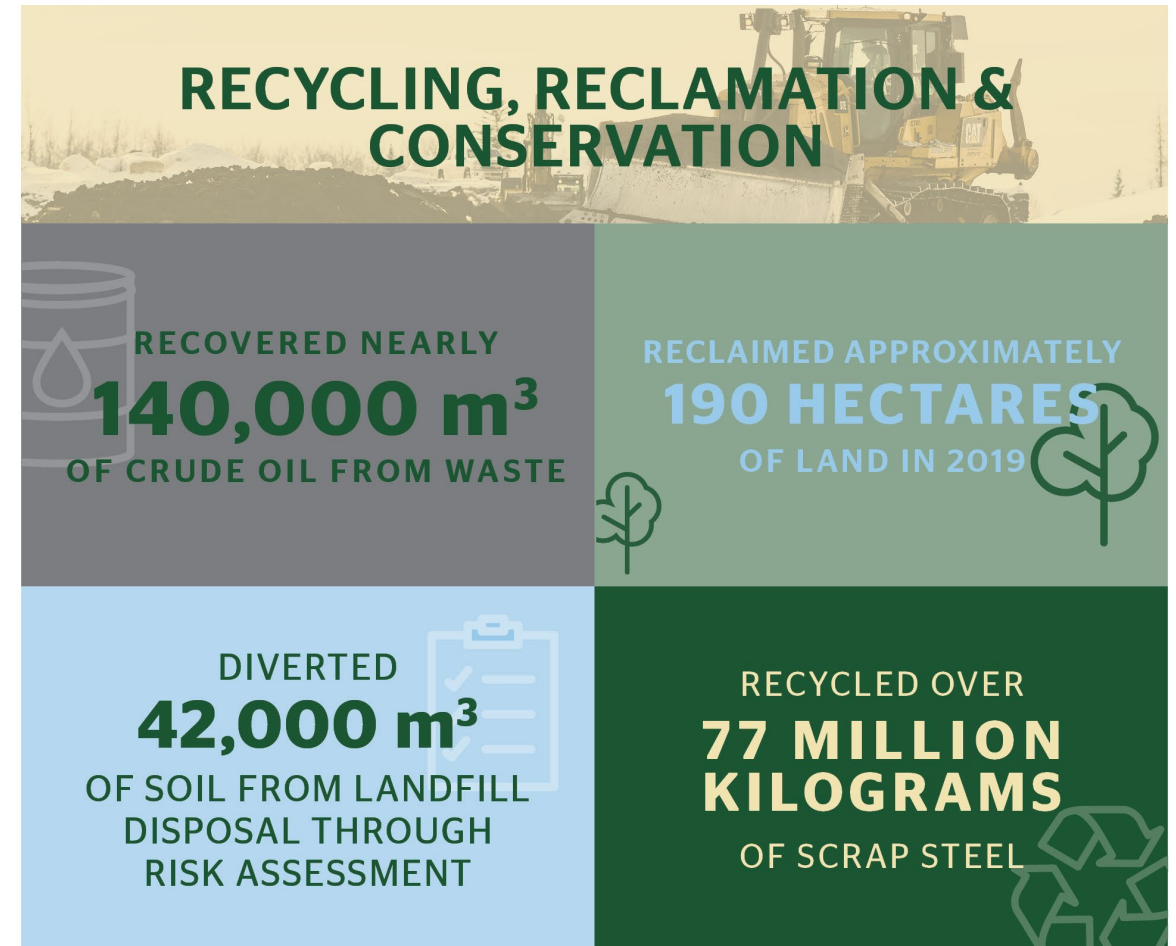
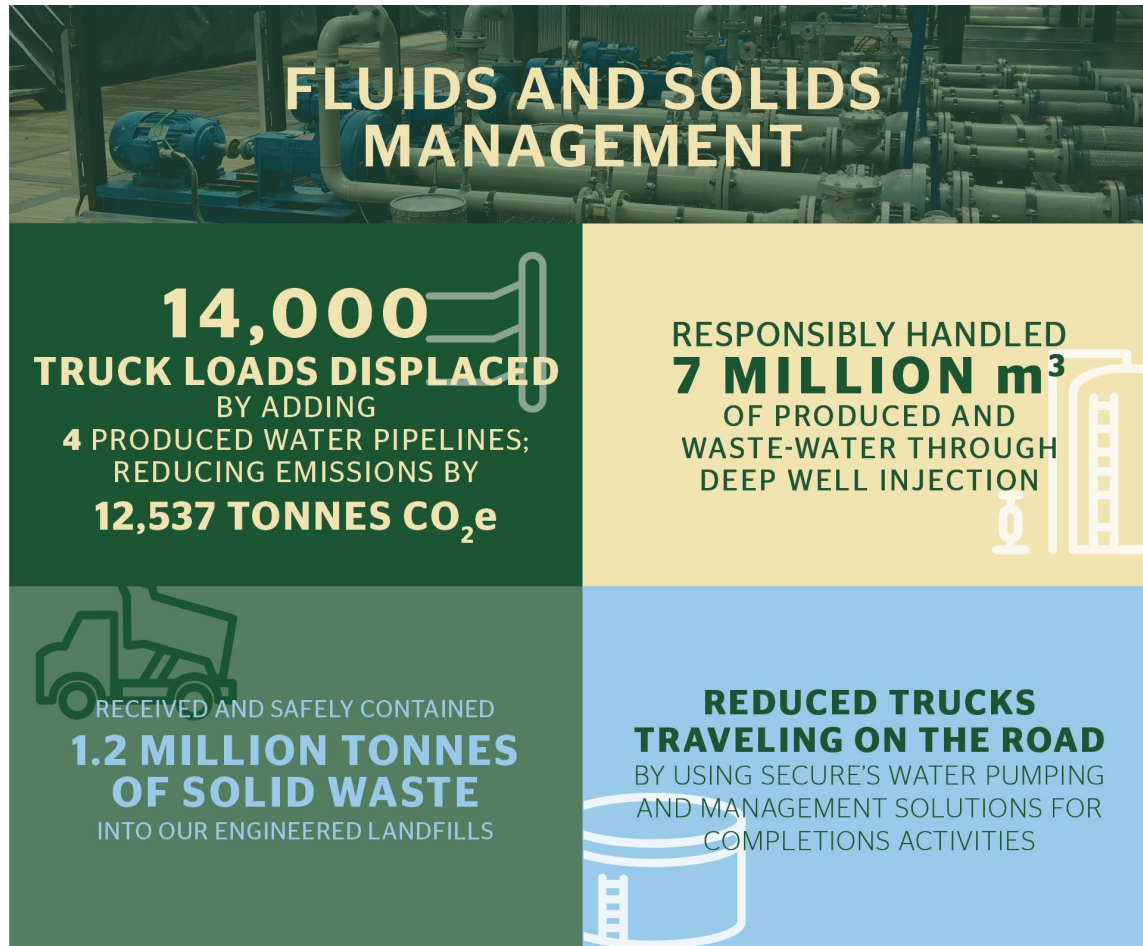
## » Partnerships with customers to share midstream infrastructure

- Increases stability of SECURE cash flows through exposure to recurring, production-related cash flows, reducing the risk of our investments
- Allows customers to invest their capital where it generates the highest return
- Reduces customers' transportation costs and environmental footprint
- Utilizes SECURE's operating expertise

## » Economies of scale achieved from aggregating production volumes lowering overall cost structure

# 2019 Sustainability Highlights

*The midstream and environmental solutions we provide our customers are designed not only to help reduce costs, but also lower emissions, increase safety, manage water, recycle by-products and protect the environment*



# Our Sustainability Commitments

## SAFETY

*Everyone goes home safe*

- Continually improving operational safety solutions through increasingly risk-based and proactive initiatives
- Striving for a leading edge safety culture

125 LEADERSHIP  
SAFETY VISITS

ACHIEVED TRIR  
TARGET <1.2

MVIR RATE IS  
DOWN 16%

## ASSET INTEGRITY

*Ensuring our assets are operating safely, reliably and efficiently, for the long-term*

- Emissions management plans at each facility
- Leak monitoring and protection of our facilities
- Increased automation of processes
- Spill prevention initiatives

\$ 1.1M SPEND  
✓ 313 INSPECTIONS

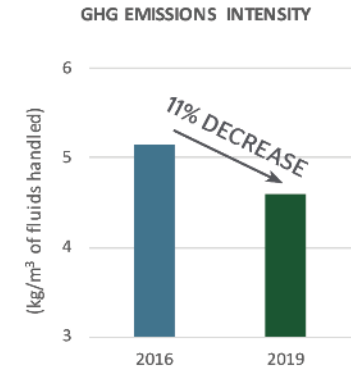
SPILL VOLUMES  
DOWN 15%

Every  
Drop  
Matters

## CLIMATE

*Mitigating and minimizing the environmental impacts of our operations*

- Created our first ever Climate Policy
- Taking measures to implement process and technologies to achieve objectives of **reducing our carbon intensity in half by 2030** and **reaching net zero emissions by 2050**
- Added Sustainability to the mandate of the HSE Board of Directors Committee



## COMMUNITY INVOLVEMENT

*It all starts where we live and work*

### Charitable Giving Pillars

Youth

Education & Training

Community Enhancement

A proud member of

Canadian Council for  
**ABORIGINAL  
BUSINESS**



\$1.4M  
INVESTED INTO  
COMMUNITIES

**18,662**

Hours of employee  
development training  
(does not include safety or technical  
skills training)

**116**  
Promotions

**46**  
Transfers to new roles

# Strategic Divestitures

## *Aligning service offerings with strategy to increase stability of cash flows*

- » Initiated a formal sales process for specific service lines that do not have recurring or production-related revenue streams
- » Expect divestitures to be completed by end of 2020
- » Potential proceeds for divestitures could range from \$100 million to \$200 million depending on which service lines are divested. Funds from divestitures will:
  - Help strengthen balance sheet
  - Provide capital for continued midstream infrastructure growth
  - Allow for continued opportunistic share repurchases

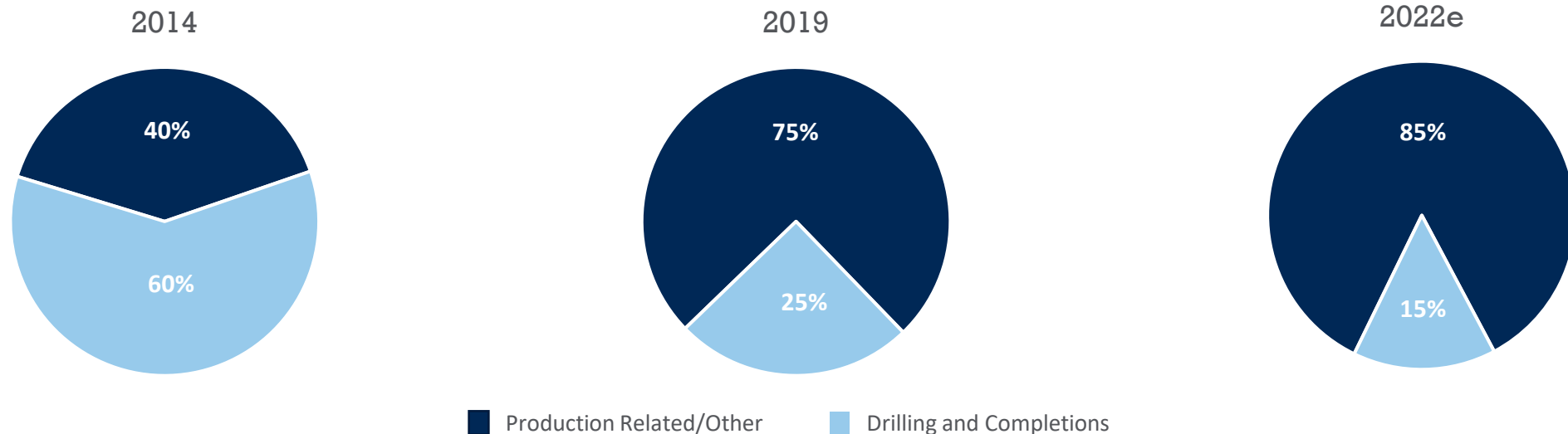


# EBITDA Transformation

## *Shift toward recurring, production-based volumes*

- » Primarily attributable to Midstream investments, pipelines, storage and marketing
  - New infrastructure added in recent years supported by production volumes
    - 2019 spend of \$115 million
    - 2018 spend of \$145 million
  - 2020 capital investment focused on contracted East Kaybob oil pipeline

### Adjusted EBITDA Contribution from Production-Related Activity

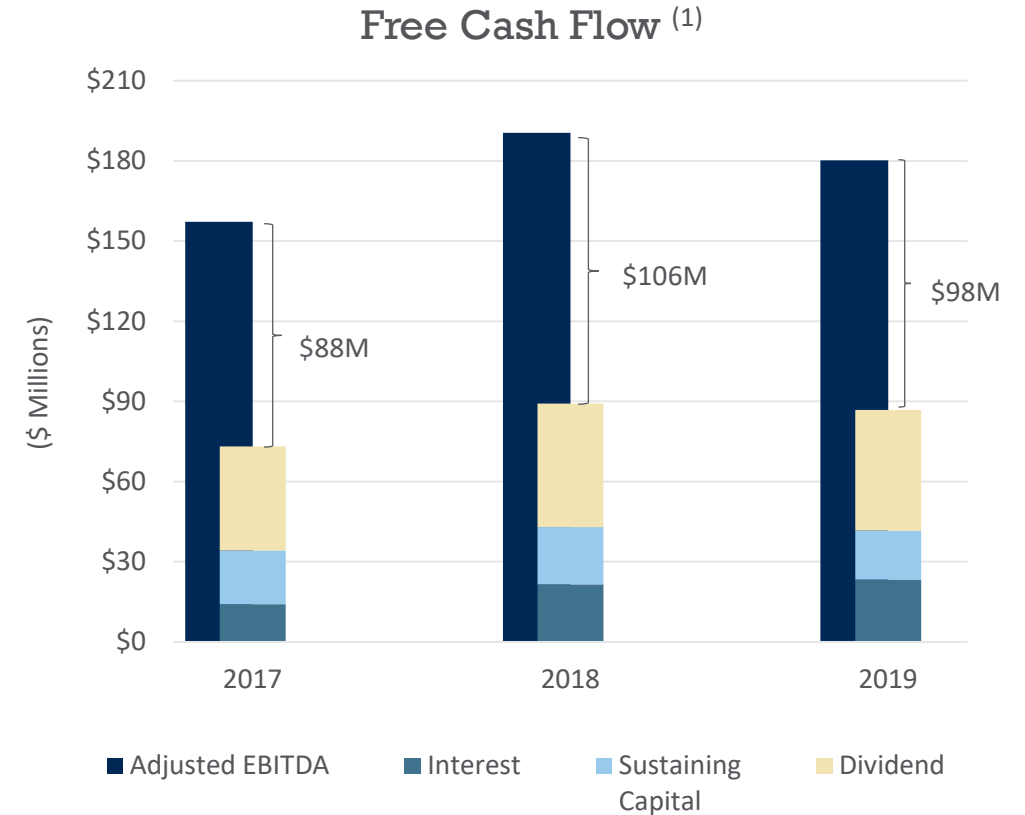


# Generating Discretionary Free Cash Flow

*Generating free cash flow after sustaining capital, interest payments and dividends*

» Future free cash flow generated can be used for:

- Debt reduction
- Continued midstream infrastructure growth
- Opportunistic share buybacks
  - 10.9 million shares repurchased for \$76 million since initiating the NCIB in May 2018
- Increased dividend payments



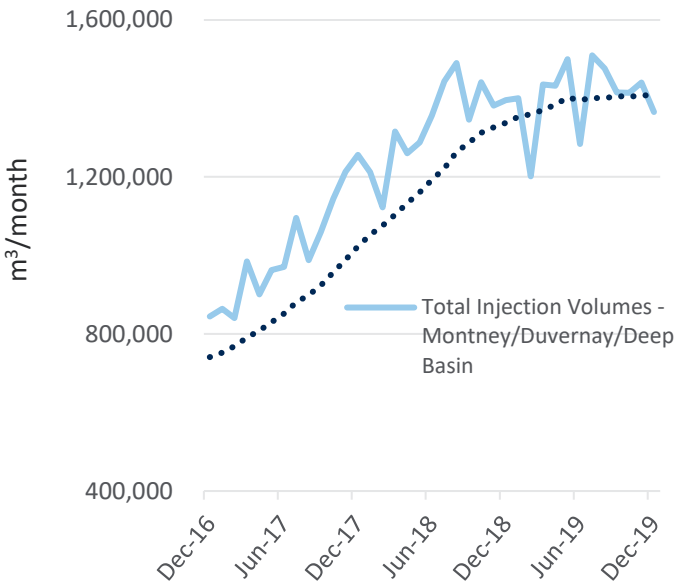
(1) Free cash flow is a non-GAAP measure calculated as Adjusted EBITDA less interest and dividends paid and sustaining capital. Refer to Non-GAAP Measures for additional information on these inputs.

# Industry Growth Trends

Industry fundamentals support long-term sustainability and growth of operations

## Increasing Produced Water

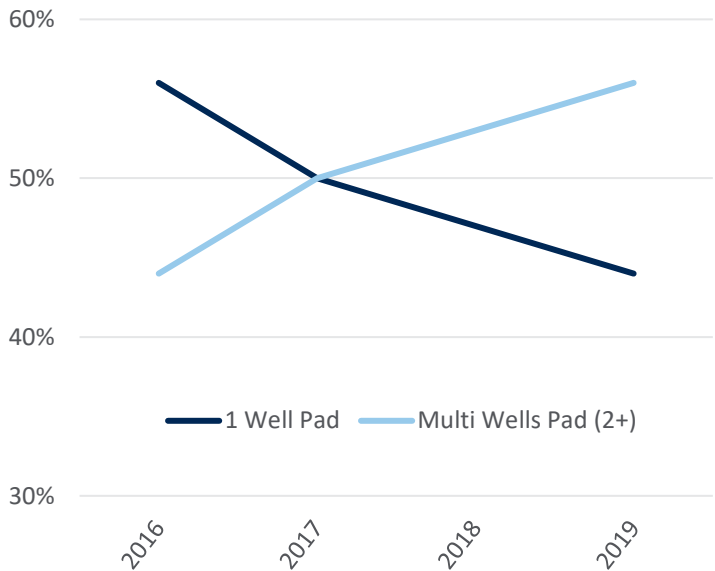
Injection Facility Volumes



Source: Petronex, SECURE ENERGY

## Increasing Use of Multi-Well Pad Drilling

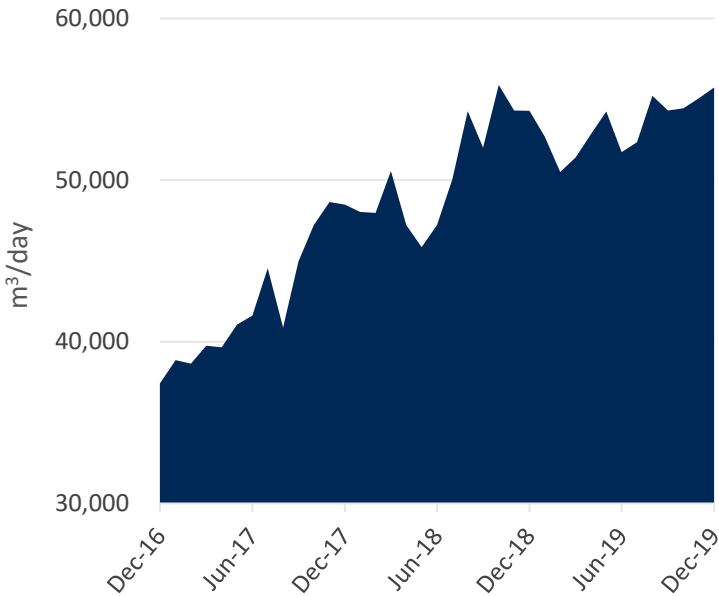
% of Total Drilling Activity



Source: Chart from Peters & Co. Limited. for Deep Basin, Duvernay and Montney. Data from GeoScout

## Increasing Condensate Volumes

Alberta Condensate Production



Source: NEB

These factors are expected to result in the need for additional facilities and/or expansions of existing facilities to meet incremental requirements for treating, processing and disposal capacity.

# Midstream Water Growth

*Finding a produced water solution is critical for customers’ drive to lowering costs and maximizing returns*

- » Produced water management has become a major focus for producers
  - Water to oil ratios in the Montney and Duvernay are high and continually increasing
  - High volume of water becomes problematic for trucking and economics support permanent gathering and transportation infrastructure
- » Third-party water infrastructure is more efficient, offers capital savings, operational efficiencies, and safe and environmentally responsible disposal

Producer Owned Water Disposal	SECURE Energy
Producer expertise	Water transportation and disposal expertise
Diverts capital away from core business – not always the highest rate of return	Larger initial build-out provides economies of scale and more efficient use of capital
Smaller initial build out	Diversity of customers enhances productivity and provides higher asset utilization
Lower utilization when not shared with multiple parties	Lower volume volatility
Higher volume volatility	Aggregating volumes from multiple producers reduces redundancy, lowering overall cost and environmental impact

# Gold Creek Produced Water Pipeline and Disposal Facility

*The benefits of pipeline connecting produced water volumes are extensive*

## For SECURE ENERGY

- » Long-term committed volumes result in a reliable rate of return on our capital investment
- » Reliable volumes at the disposal facility result in more predictable, stable cash flows
- » Area dedication offers significant upside potential

## For our customers

- » Reduced operating costs
- » Allows capital to be invested where it generates the highest returns
- » Helps achieve customer objectives of responsible, sustainable development

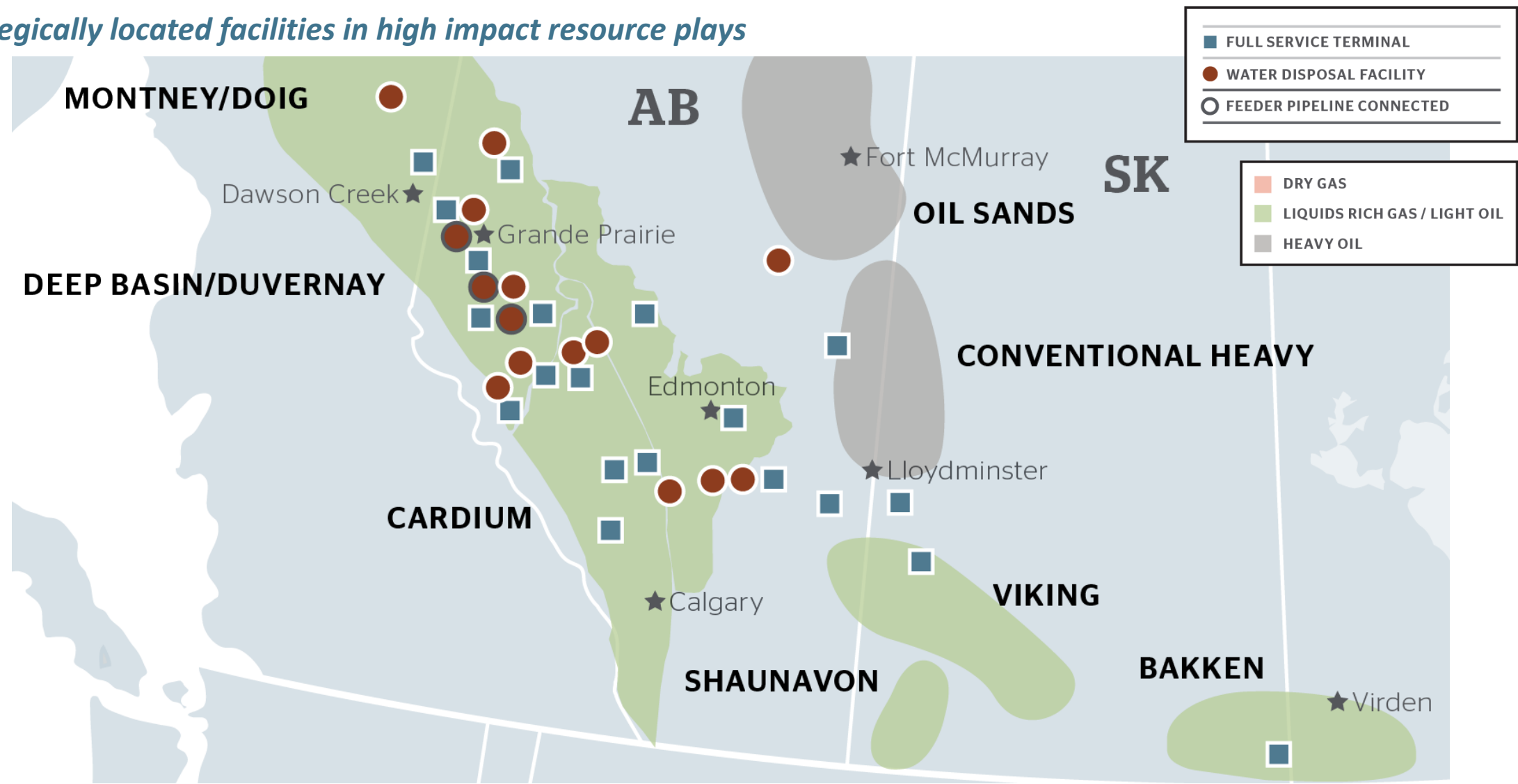
## For the public

- » Eliminating the need to haul product by truck both increases safety for all road users and reduces greenhouse gas emissions
- » In 2019, produced water shipped by pipeline to the Gold Creek facility displaced over 7,000 truck loads, reducing CO<sub>2</sub>e emissions by 6,600 tonnes



# Midstream Processing Facilities

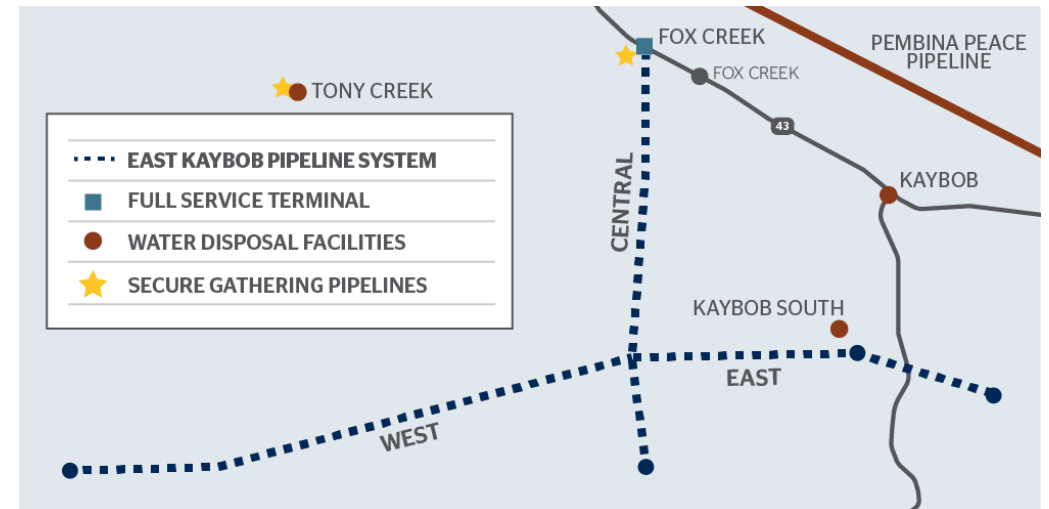
Strategically located facilities in high impact resource plays



# East Kaybob Oil Pipeline

**New pipeline system supporting long-term growth strategy of expanding midstream infrastructure through customer partnerships**

- » 120 kilometre gathering pipeline with 15,000 bbl/d initial capacity
- » Construction commenced in Q4'19. Pipeline expected to be operational mid-2020, subject to regulatory approvals
- » Committed volumes with multiple producers for a 15-year term
- » Increased utilization and efficiencies expected at SECURE's existing Fox Creek FST
- » Creates value for our customers by providing capital efficient transportation, eliminating trucking constraints and reducing CO<sub>2</sub> emissions



# Expanding Midstream Offerings

## Kerrobert Pipeline System

- » Light oil feeder pipeline system and receipt terminal in the Kindersley-Kerrobert region
- » Contracted volumes with anchor tenants for a 10-year term
- » 420,000 barrels of storage capacity
- » Nearly 1.9 million cubic metres shipped in 2019 with zero environmental or safety incidents or unscheduled downtime

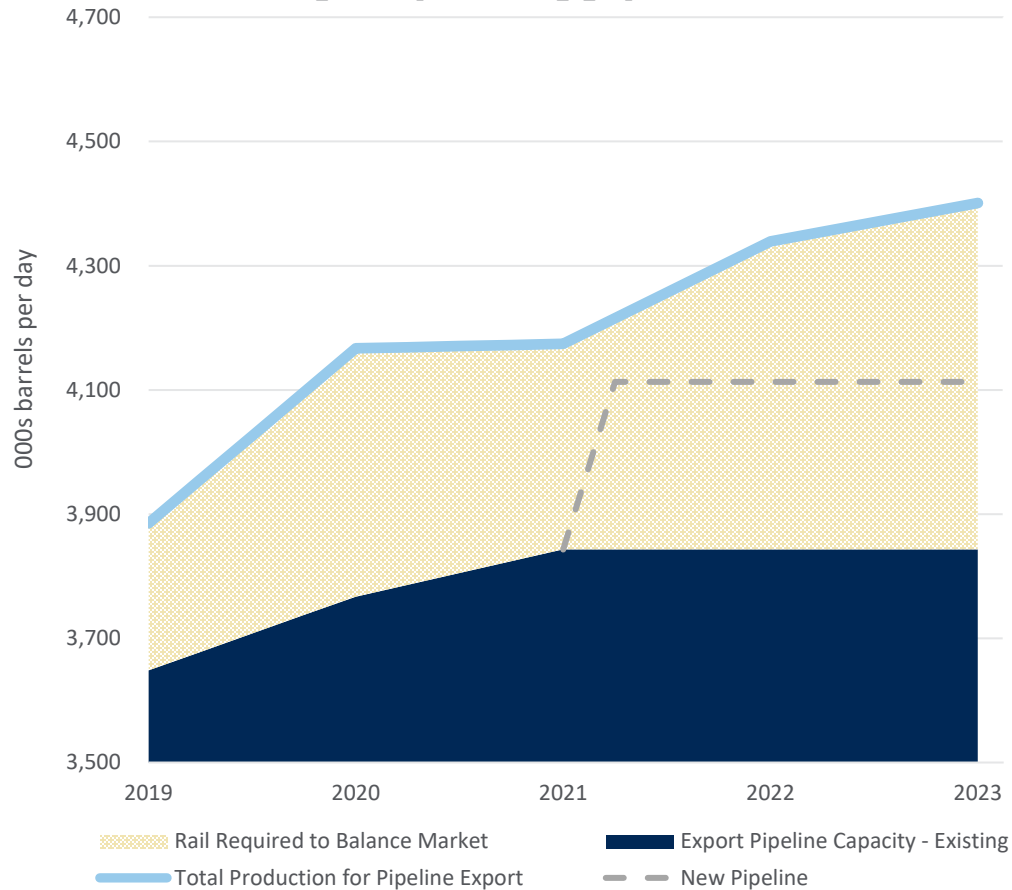
## Cushing Crude Oil Storage

- » Strategic entry into Cushing market through two tuck-in acquisitions:
  - 27% interest in 700,000 barrel crude oil storage facility
  - 51% interest in 80 acres of land provides significant optionality to develop additional midstream infrastructure with strategic partners
- » Owning crude oil storage infrastructure provides customers with market access flexibility to optimize realized pricing



# Crude by Rail Terminals

Western Canadian Crude Oil Capacity vs. Supply Forecasts



Source: BMO Capital Markets February 10, 2020 Energy Daily publication

'New Pipeline' estimates that Enbridge Line 3 U.S. portion comes on line early 2021 adding 270,000 barrels per day

*Rail is an economical option as supply exceeds pipeline takeaway capacity*

» Rail utilization driven by macro factors including:

- Supply and pipeline takeaway capacity
- Transportation costs
- Benchmark crude oil spreads
- Refinery access
- Heavy oil and sweet differentials

» SECURE's four Crude by Rail Terminals:

- Combine treating and storage solutions with rail access
- Ability to ship raw heavy, light sour, and light sweet crude
- Loading capacity over 50,000 barrels per day



# 2019 Capital Spend

*Growth and expansion capital spend of approximately \$115 million in 2019 was heavily weighted toward infrastructure projects that will provide stable, production-related cash flows*

- » Two new tanks adding 260,000 barrels of crude oil storage at Kerrobert
- » New water pipelines from customer processing plants at Gold Creek and Tony Creek
- » Pipestone water disposal facility and feeder pipeline
- » East Kaybob oil pipeline system  
*(target mid 2020 completion)*
- » Capacity expansions at existing facilities and landfills
- » \$14 million acquisition of Cushing, OK assets  
*(completed April 2019)*



Tony Creek Water Disposal Facility



Pipestone Water Disposal Facility

# 2020 Capital Program

*Continued midstream growth supported underpinned by long-term contracts*

- » 2020 growth and expansion capital spend of approximately \$50 million:
  - East Kaybob oil pipeline system
  - Smaller expansion projects to optimize capabilities and increase processing and disposal capacity at existing facilities
- » \$20 million sustaining capital
- » Cash flows from operations are expected to adequately fund annual dividends while still providing cash to fund growth capital, buy back shares, and/or pay down debt.



East Kaybob Gathering Pipeline Construction

# Environmental Solutions

*Offering full suite of solutions including decommissioning, remediation and reclamation*



- » Long-term contracts with three oil sands producers in the Fort McMurray market area
- » Increasing project work in the oil sands driving new, recurring revenue streams
- » Increasing environmental regulatory standards driving growth
  - E.g. Area Based Closure Program
- » Providing full-cycle frac water management solutions
- » Customer recognized safety excellence award

# Technical Solutions

## Production Chemicals & EOR

- » Industry leading products: flow assurance, asset integrity, production optimization
- » Over 350 fully formulated proprietary products
- » Creating new products in our research labs
- » Leveraging midstream customer base to accelerate market share growth
- » Provides recurring revenue stream

## Drilling Fluids and Equipment

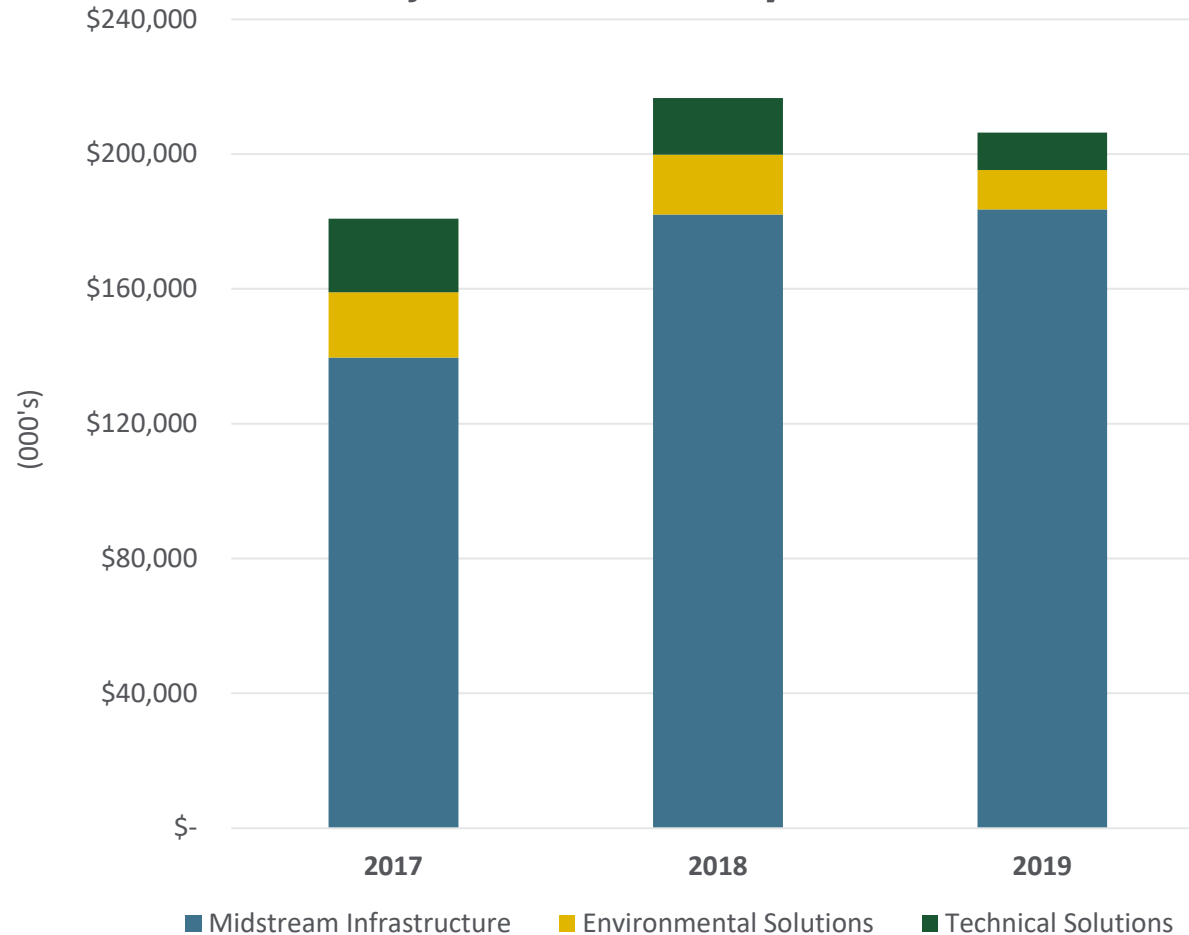
- » Multiple patents, innovative chemical solutions, customized drilling fluid programs
- » Technical expertise in long and deep horizontal wells drilling fluid systems
- » Fleet of “large bowl” solids control equipment matched with drilling fluid programs



Production Chemicals Lab, Edmonton, AB

# Financial Results

Adjusted EBITDA<sup>(1)</sup> by Division



(1) Refer to Non-GAAP Measures. Excludes Corporate costs.

## 2019 Highlights

- » Midstream Infrastructure division generated Adjusted EBITDA of \$183.6 million, highest in SECURE's history
  - Recurring production-related volumes
  - Volumes and revenues from new infrastructure and facility expansions
- » Overall, Adjusted EBITDA of \$180.2 million, or \$1.13 per common share, was down 3% from 2018
  - >30% decline year-over-year in oil and gas activity
    - Impacted drilling and completion related volumes and services - near 2016 lows
  - Differentials impacting rail and crude oil marketing opportunities

# SECURE ENERGY

*Delivering energy to the world, so people and communities thrive*

- » Challenging what's possible with solutions to increase customer netbacks and improve capital efficiency
- » State-of-the-art midstream processing facilities located in high impact resource plays
- » Growth supported by:
  - Producers increasingly outsourcing midstream work
  - Produced water volumes increasing at a disproportionate rate relative to aggregate production
  - Increased use of multi-well pad drilling supports economics for pipeline connecting to midstream facilities
  - Volatile differentials and limited pipeline capacity
- » Free cash flow yield of 18%<sup>(1)</sup>
- » Trading below midstream industry peers offers investment opportunity



(1) As defined on Slide 2.

# Forward-Looking Statements and Non-GAAP Measures

This presentation contains "forward-looking statements" and/or "forward-looking information" within the meaning of applicable securities laws (collectively referred to as "forward-looking statements"). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Forward-looking statements included or implied herein may include: management's expectations with respect to the business, financial prospects and future opportunities for the Corporation; the Corporation's growth and expansion strategy; the Corporation's ability to continue to grow the business organically and execute on strategic growth opportunities based on current financial position; sales process for the divestiture of specific service lines that do not have recurring or production-related revenue streams, including outcome of the sales process, proceeds and timing of proposed divestitures, and the announcements, anticipated proceeds and use of proceeds therefrom; the Corporation's proposed 2020 capital expenditure programs including growth and expansion and sustaining capital expenditures, and the timing of completion for projects, in particular the East Kaybob pipeline; corporate growth opportunities and strategy, future business drivers; environmental and regulatory standards; general market conditions; the oil and natural gas industry; activity levels in the oil and gas sector in Canada and the U.S.; industry growth trends, including growth in crude oil and condensate production and produced water levels in western Canada; the impact of new facilities, new service offerings, potential acquisitions, and prior year acquisitions on the Corporation's future financial results; demand for the Corporation's services and products; market share and market expansion; western Canadian oil supply and pipeline capacity, including the timing of the in-service date for Enbridge Inc. Line 3 Replacement; annual growth target; Adjusted EBITDA growth arising from growth and expansion capital incurred; debt service; future capital needs; and access to capital.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as assumptions that levels of market activity and growth will be consistent with industry activity in Canada and the U.S. and similar phases of previous economic cycles. Forward-looking statements concerning the availability of funding for future operations are based upon assumptions that sources of funding which the Corporation has relied upon in the past will continue to be available to the Corporation on terms favorable to the Corporation and that future economic and operating conditions will not limit the Corporation's access to debt and equity markets. Forward-looking statements concerning the relative future competitive position of the Corporation are based upon assumptions that economic and operating conditions, including commodity prices, crude oil and natural gas storage levels, interest rates, the regulatory framework regarding oil and natural gas royalties, environmental matters, the ability of the Corporation to successfully market the Corporation's services, and drilling and production activity in North America will lead to sufficient demand for the Corporation's services, that the current business environment will remain substantially unchanged, and that present and anticipated programs and expansion plans of other organizations operating in the energy industry may change the demand for the Corporation's services. Forward-looking statements concerning the nature and timing of growth are based on past factors affecting the growth of the Corporation, past sources of growth and expectations relating to future economic and operating conditions. Forward-looking statements in respect of the costs anticipated to be associated with the acquisition and maintenance of equipment and property are based upon assumptions that future acquisition and maintenance costs will not significantly increase from past acquisition and maintenance costs. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry participants and analysts relating to anticipated exploration and development programs of oil and natural gas producers, the effect of changes to regulatory, taxation and royalty regimes, expected industry equipment utilization in the WCSB and North Dakota, and other matters. The Corporation believes that the material factors, expectations and assumptions reflected in the forward-looking statements are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including, but not limited to, those factors discussed below and under the heading "Risk Factors" in the Corporation's Annual Information Form dated February 24, 2020 and in the MD&A for the year ended December 31, 2019 as well as any material change reports and news releases and also includes risks associated with general economic conditions in Canada and the U.S.; changes in the level of capital expenditures made by oil and natural gas producers and the resultant effect on demand for oilfield services during drilling and completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; risks inherent in the Corporation's ability to generate sufficient cash flow from operations to meet its current and future obligations; increases in debt service charges; the Corporation's ability to access external sources of debt and equity capital; changes in legislation and the regulatory environment, including uncertainties with respect to implementing binding targets for reductions of emissions and the regulation of hydraulic fracturing services; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; competition; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; ability to integrate technological advances and match advances of completion; credit risk to which the Corporation is exposed in the conduct of its business; Secure's ability to complete anticipated divestiture transactions on acceptable terms or at all; updates or changes to Secure's strategy; risks associated with the possible failure to realize the anticipated synergies in integrating the assets acquired in prior year acquisitions with the operations of Secure; and other factors, many of which are beyond the control of the Corporation.

Although forward-looking statements contained in this presentation are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements and readers are cautioned not to place undue reliance on them. The forward-looking statements in this document are expressly qualified by this cautionary statement. Unless otherwise required by law, the Corporation does not intend, or assume any obligation, to update these forward-looking statements.

Non-GAAP Measures and Operational Definitions: The Corporation uses accounting principles that are generally accepted in Canada (the issuer's "GAAP"), which includes International Financial Reporting Standards ("IFRS"). Certain supplementary measures in this document do not have any standardized meaning as prescribed by IFRS. These measures are intended as a complement to results provided in accordance with IFRS. The Corporation believes these measures provide additional useful information to analysts, shareholders and other users to understand the Corporation's financial results, profitability, cost management, liquidity and ability to generate funds to finance its operations. However, they should not be used as an alternative to IFRS measures because they do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. These non-GAAP measures, and certain operational definitions used by the Corporation, are further explained in the Corporation's most recent MD&A, which includes reconciliations of the Non-GAAP measures to the most directly comparable measures calculated in accordance with IFRS except as described below.

Free cash flow is calculated as Adjusted EBITDA less interest paid, sustaining capital expenditures and dividend payments. Free cash flow is not a recognized measure under IFRS and therefore may not be comparable to similar measures presented by other companies. Management uses free cash flow to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund future growth, repurchase shares, repay debt or increase the dividend. Free cash flow yield is Adjusted EBITDA less interest paid and sustaining capital expenditures as a percentage of market capitalization.

Funds flow from operations refers to net cash flows from operating activities before changes in non-cash working capital. Funds flow from operations is considered an additional GAAP measure as the Corporation has presented the measure in the Consolidated Statements of Cash Flows. Funds flow from operations provides a useful indication of the funds generated from Secure's principal business activities prior to consideration of working capital, which is primarily made up of highly liquid balances.

Capital Expenditures: Expansion, growth or acquisition capital are capital expenditures with the intent to expand or restructure operations, enter into new locations or emerging markets, or complete a business acquisition. Sustaining capital refers to capital expenditures in respect of capital asset additions, replacements or improvements required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus expansion capital involves judgment by management.