

Gibson Energy Announces 2020 Second Quarter Results

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CALGARY, Aug. 04, 2020 - [Gibson Energy Inc.](#) (TSX: GEI), announced today its financial and operating results for the three and six months ended June 30, 2020.

In a very challenging quarter for our industry, Gibson delivered strong operational and financial results, highlighting the resilient nature of our Infrastructure segment's long-term, contracted cash flows as well as the ability of our Marketing organization to effectively realize available opportunities, said Steve Spaulding, President and Chief Executive Officer. Our first priority continues to be our COVID-19 response, including protecting our people and our customers, and ensuring the safe, reliable operation of our assets. With the economy reopening and the partial recovery in oil prices, we have seen the return of a more normalized business environment, including the resumption of discussions with several potential customers for both additional tankage and future phases at the DRU. Reflective of our commitment to maintain a very strong financial position, both leverage and payout are well below target levels, our capital program is fully-funded and we have access to significant liquidity.

Financial Highlights:

- Distributable cash flow⁽¹⁾ of \$94 million in the second quarter, a \$14 million or 18% increase over the second quarter of 2019, due an increased contribution from both the Infrastructure and Marketing segments
- Infrastructure segment profit of \$90 million in the second quarter, a \$17 million or 24% increase over the second quarter of 2019 on a comparable basis⁽²⁾, primarily due to additional tankage in service at Hardisty as well as from the expansion of both the HURC Facility and the Moose Jaw Facility
- Marketing segment profit of \$44 million in the second quarter, a \$6 million or 16% increase over the second quarter of 2019, driven by a strong contribution from Crude Marketing primarily due to time-based opportunities created by significant volatility in commodity markets during the quarter
- Adjusted EBITDA⁽³⁾ of \$143 million in the second quarter, a \$34 million or 32% increase over the second quarter of 2019 on a comparable basis⁽²⁾, leading to Net Debt to Pro Forma Adjusted EBITDA at June 30, 2020 of 2.4x, well below the Company's 3.0x - 3.5x target range and reflective of Gibson's strong financial position
- Fully-funded for all sanctioned capital and continue to maintain ample liquidity through a \$750 million Revolving Credit Facility that remained effectively undrawn net of cash at the end of the second quarter
- Payout ratio on a trailing twelve-month basis of 60%, well below the Company's 70% to 80% target range

Strategic Developments and Highlights:

- Recognizing the importance of transparency and continuing to embed sustainability and ESG principles into the Company's strategy and operations, Gibson published its inaugural Sustainability Report
- Performed a thorough review of all capital projects and continue to expect total growth capital in 2020 of approximately \$300 million, reflecting the highly contracted nature of Gibson's sanctioned capital program
- Subsequent to the end of the quarter, issued \$650 million of Senior Unsecured Medium Term Notes, comprised of \$325 million of 2.45% notes due July 14, 2025 and \$325 million of 2.85% notes due July 14, 2027. A portion of the proceeds were used to redeem the Company's outstanding \$600 million 5.25% notes due 2024 in full on July 22, 2020, resulting in annualized interest savings of approximately \$16 million over the remaining term of the redeemed notes

⁽¹⁾ Distributable cash flow from combined operations is defined in Gibson's Management Discussion and Analysis (MD&A). See MD&A sections Liquidity and Capital Resources; and Results of Discontinued Operations; for cash flow from operations

discussion, which is the most closely related GAAP measure.

(2) Comparisons made after adjusting for a \$15 million future environmental remediation provision in the prior period and on a continuing operations basis.

(3) Adjusted EBITDA from continuing operations is defined in Gibson's MD&A. See MD&A section "Results of Continuing Operations"; for segment profit from continuing operations discussion, which is the most closely related GAAP measure and disclosed in note 1 of the condensed consolidated financial statements.

Sustainability and ESG

Gibson released its inaugural Sustainability Report during the second quarter. The Company believes that sustainability and ESG are a journey and plans to make meaningful progress each year. Gibson has taken the following steps:

- Formalized oversight of sustainability by the Board of Directors
- Appointed Judy Cotte, a recognized expert on ESG and responsible investing, to the Company's Board of Directors
- Expanded the number of ESG related targets/metrics in certain incentive compensation programs as well as increased the overall weighting of such targets/metrics in determining such incentives
- Established an internal carbon and climate change working group to focus on, among other things, identifying carbon reduction and optimization opportunities such as the expansion of its Moose Jaw Facility with a design that resulted in a net decrease in carbon intensity on a per throughput barrel basis
- Adopted a Diversity and Inclusion Policy and formed a Diversity and Inclusion Council to champion various diversity initiatives throughout the organization
- Increased community investment spending to \$1 million for 2020

To provide another platform for transparency with the Company's stakeholders regarding its environmental information, Gibson is finalizing its inaugural CDP (formerly the Carbon Disclosure Project) submission to be made public later this month. The learnings from the CDP process will further allow the Company to identify opportunities for action and further integrate sustainability into its strategic planning, operations and capital allocation processes.

Management's Discussion and Analysis and Financial Statements

The 2020 second quarter Management's Discussion and Analysis and unaudited Condensed Consolidated Financial Statements provide a detailed explanation of Gibson's financial and operating results for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019. These documents are available at www.gibsonenergy.com and at www.sedar.com.

2020 Second Quarter Results Conference Call

A conference call and webcast will be held to discuss the 2020 second quarter financial and operating results at 7:00am Mountain Time (9:00am Eastern Time) on Wednesday, August 5, 2020.

The conference call dial-in numbers are:

- 478-219-0003 / 844-358-6759
- Participant Pass Code: 2298236

This call will also be broadcast live on the Internet and may be accessed directly at the following URL:

<https://edge.media-server.com/mmc/p/2ie2bxub>

The webcast will remain accessible for a 12-month period at the above URL. Additionally, a digital recording will be available for replay two hours after the call's completion until August 13, 2020, using the following dial-in numbers:

- 404-537-3406 / 855-859-2056
- Participant Pass Code: 2298236

Supplementary Information

Gibson has also made available certain supplementary information regarding the second quarter financial

and operating results, available at www.gibsonenergy.com.

About Gibson

Gibson is a Canadian-based oil infrastructure company with its principal businesses consisting of the storage, optimization, processing, and gathering of crude oil and refined products. Headquartered in Calgary, Alberta, the Company's operations are focused around its core terminal assets located at Hardisty and Edmonton, Alberta, and also include the Moose Jaw Facility and an infrastructure position in the U.S.

Gibson shares trade under the symbol GEI and are listed on the Toronto Stock Exchange. For more information, visit www.gibsonenergy.com.

Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking information and statements (collectively, forward-looking statements) including, but not limited to, statements concerning future capital expenditures to be made by Gibson; Gibson's ability to sanction additional tankage and DRU expansion; the Company's release of its CDP submission and other ESG related initiatives.

These statements relate to future events or future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "aim", "target", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "potential", and "capable" and similar expressions are intended to identify forward-looking statements. The forward-looking statements reflect Gibson's beliefs and assumptions with respect to, among other things, future operating and financial results, future growth in world-wide demand for crude oil and petroleum products; crude oil prices; no material defaults by the counterparties to agreements with Gibson; Gibson's ability to obtain qualified personnel, owner-operators, lease operators and equipment in a timely and cost-efficient manner; the regulatory framework governing taxes and environmental matters in the jurisdictions in which Gibson conducts and will conduct its business; changes in credit ratings applicable to Gibson; operating costs; future capital expenditures to be made by Gibson; Gibson's ability to obtain financing for its capital programs on acceptable terms; the Company's future debt levels; the impact of increasing competition on the Company; the impact of changes in government policies on Gibson; the impact of future changes in accounting policies on the Company's consolidated financial statements; the impact of the COVID-19 pandemic, including related government responses thereto, on demand for crude oil and petroleum products and our operations generally; Gibson's ability to effectively transition its operations as required in response to the COVID-19 pandemic; the availability of coverage under Gibson's insurance policies (including in respect of Gibson's business interruption insurance policy); the Company's ability to successfully implement the plans and programs disclosed in Gibson's strategy and other assumptions inherent in management's expectations in respect of the forward-looking statements identified herein.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although Gibson believe these statements to be reasonable, no assurance can be given that the results or events anticipated in these forward-looking statements will prove to be correct and such forward-looking statements included in this press release should not be unduly relied upon. Actual results or events could differ materially from those anticipated in these forward-looking statements as a result of, among other things, risks inherent in the businesses conducted by Gibson; competitive factors in the industries in which Gibson operates; prevailing global and domestic financial market and economic conditions; world-wide demand for crude oil and petroleum products; volatility of commodity prices, currency and interest rates fluctuations; product supply and demand; operating costs and the accuracy of cost estimates; exposure to counterparties and partners, including ability and willingness of such parties to satisfy contractual obligations in a timely manner; future capital expenditures; capital expenditures by oil and gas companies; production of crude oil; decommissioning, abandonment and reclamation costs; changes to Gibson's business plans or strategy; ability to access various sources of debt and equity capital, generally, and on terms acceptable to Gibson; changes in government policies, laws and regulations, including environmental and tax laws and regulations; competition for employees and other personnel, equipment, material and services related thereto; dependence on certain key suppliers and key personnel; reputational risks; acquisition and integration risks; risks associated with our Hardisty DRU project; capital project delivery and success; risks associated with Gibson's use of technology; ability to obtain regulatory approvals necessary for the conduct

of Gibson's business; the availability and cost of employees and other personnel, equipment, materials and services; labour relations; seasonality and adverse weather conditions, including its impact on product demand, exploration, production and transportation; inherent risks associated with the exploration, development, production and transportation of crude oil and petroleum products; risks related to widespread epidemics or pandemic outbreaks, including the COVID-19 pandemic and government responses related thereto, and the impact thereof to the other risks inherent in the businesses conducted by Gibson; risks related to actions of OPEC and non-OPEC countries, including the effect thereof on the demand for crude oil and petroleum products and commodity prices; and political developments around the world, including the areas in which Gibson operates, many of which are beyond the control of Gibson. Readers are cautioned that the foregoing lists are not exhaustive. For an additional discussion of material risk factors relating to Gibson and its operations, please refer to those included in Gibson's Annual Information Form dated February 24, 2020 as filed on SEDAR and available on the Gibson website at www.gibsonenergy.com.

Non-GAAP Measures

This news release refers to certain financial measures that are not determined in accordance with IFRS. Distributable cash flow (DCF) is not a measure recognized under IFRS and does not have standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures reported by other entities. Management considers this to be an important supplemental measure of the Company's performance and believes this measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures. Distributable cash flow is used to assess the level of cash flow generated and to evaluate the adequacy of internally generated cash flow to fund dividends. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of fluctuations in product inventories or other temporary changes. Upgrade and replacement capital expenditures are deducted from distributable cash flow as there is an ongoing requirement to incur these types of expenditures. The Company may deduct or include additional items in its calculation of distributable cash flow; these items would generally, but not necessarily, be items of a non-recurring nature. Additional information about reconciliation of historical distributable cash flow to its most closely related IFRS measure, cash flow from operating activities can be found in our Management Discussion and Analysis (MD&A) available on SEDAR at www.sedar.com and on our website at www.gibsonenergy.com.

For further information, please contact:

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SELECTED FINANCIAL INFORMATION

	Three months ended June 30		Six months ended June 30		2019
	2020	2019	2020	2019	
Continuing operations ¹					
Revenue	\$ 794,474	\$ 1,927,634	\$ 2,253,164	\$ 3,676,300	
Segment profit	133,887	95,244	267,998	231,018	
Net income	41,314	34,693	91,317	93,370	
Basic income per share	0.28	0.24	0.62	0.65	
Diluted income per share	0.28	0.24	0.62	0.64	
Adjusted EBITDA ²	142,769	93,555	271,466	212,038	
Distributable cash flow ²	93,911	74,840	179,860	153,790	
Dividends declared	49,720	47,980	99,428	95,917	
Cash flow from operating activities	152,843	37,651	308,539	25,154	
Growth capital expenditures ³	\$ 117,152	\$ 59,124	\$ 176,088	\$ 100,198	
Combined operations ¹					

Combined Adjusted EBITDA ^{1,2}	\$ 142,769	\$ 96,590	\$	271,465	220,135
Distributable cash flow ²	\$ 93,911	\$ 79,786	\$	179,860	162,619
				Last twelve months – As at June 30,	
				2020	2019
Debt and dividend payout ratios					
Total and senior debt leverage ratio				2.4	2.5
Debt to capitalization ratio				48%	-
Interest coverage ratio				7.8	7.3
Combined dividend payout ratio				60%	58%

1. See definition of non-GAAP measures on pages 13 to 14 and 26. Combined Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) and Combined distributable cash flow, represents the aggregated results of both continuing and discontinued operations
2. See pages 13 to 14 and 20 to 21 for a reconciliation of Adjusted EBITDA to segment profit and distributable cash flow to cash flow from operations, respectively
3. Growth capital expenditures includes contributions to our equity accounted investments

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