

Gibson Energy Reports 2023 Fourth Quarter and Full Year Results, a 5% Dividend Increase and Announces CEO Transition Plan

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All financial figures are in Canadian dollars unless otherwise noted

CALGARY, Feb. 20, 2024 - [Gibson Energy Inc.](#) ("Gibson" or the "Company") announced today its financial and operating results for the three and twelve months ended December 31, 2023. The Company also announced the pending retirement of its President and Chief Executive Officer, Steve Spaulding.

"It was a record-breaking year, with Infrastructure Adjusted EBITDA and Distributable Cash Flow reaching all-time highs for the second consecutive year," said Steve Spaulding, President and Chief Executive Officer. "This outstanding performance, combined with the confidence in increasing our quarterly dividend by five percent and allowed us to close the year with a strong and sustainable financial profile, with both leverage and our payout ratio at the low-end of our target range when accounting for the year contribution from the Gateway Terminal, setting Gibson up for a strong 2024 and beyond."

Financial Highlights:

- Revenue of \$11,015 million for the full year, including \$2,810 million in the fourth quarter, relatively consistent year-over-year primarily due to lower average commodity prices reducing revenue from the Marketing segment, offset by higher volumes and revenue from the Gateway Terminal acquisition
- Infrastructure adjusted EBITDA⁽¹⁾ of \$494 million for the full year, including \$153 million in the fourth quarter, a \$53 million or 12% increase over full year 2022, primarily due to the Gateway Terminal acquisition
- Marketing adjusted EBITDA⁽¹⁾ of \$145 million for the full year, including \$28 million in the fourth quarter, a \$27 million increase over full year 2022 principally due to the improved availability of location and storage-based opportunities in Marketing
- Adjusted EBITDA⁽¹⁾ on a consolidated basis of \$590 million for the full year, including \$170 million in the fourth quarter, a \$20 million or 13% increase over full year 2022, as result of the factors described above
- Net Income of \$214 million for the full year, including \$53 million in the fourth quarter, a \$9 million or 4% decrease over full year 2022 due to acquisition and integration costs and higher finance costs relating to the Gateway Terminal acquisition, partially offset by higher adjusted EBITDA⁽¹⁾
- Distributable Cash Flow⁽¹⁾ of \$386 million for the full year, including \$103 million in the fourth quarter, a \$30 million increase over full year 2022, a result of the factors described above
- Dividend Payout ratio⁽²⁾ on a trailing twelve-month basis of 61%, which is below its 70% - 80% target range
- Net debt to adjusted EBITDA⁽²⁾ at December 31, 2023 of 3.7x, above the Company's 3.0x - 3.5x target range due to the Gateway Terminal acquisition; EBITDA⁽¹⁾ including only five months of contribution from the Gateway Terminal; we expect the net debt to adjusted EBITDA⁽¹⁾ ratio to be temporarily elevated until twelve-months of adjusted EBITDA⁽¹⁾ from the Gateway Terminal is reflected in the Company's net debt to adjusted EBITDA⁽²⁾ ratio

(1) Adjusted EBITDA and Distributable Cash Flow are non-GAAP financial measures. See the "Specified Financial Measures" section of this release.

(2) Net debt to adjusted EBITDA ratio and Dividend Payout ratio are non-GAAP financial ratios. See the "Specified Financial Measures" section of this release.

Strategic Developments and Highlights:

- Successfully closed the US\$1.1 billion acquisition of the South Texas Gateway terminal and fully transitioned the operations and maintenance functions from Buckeye to Gibson effective January 1, 2024
- Placed the previously announced Edmonton tank into service, in support of the TMX pipeline, on time, on budget and underpinned by a long-term, take-or-pay contract with an investment grade customer

- Sanctioned the construction of two new tanks, representing 870,000 barrels of new tankage, at its Edmonton Terminal underpinned by a 15 year take-or-pay and stable fee-based contract agreement with [Cenovus Energy Inc.](#), an investment grade, senior integrated oil sands customer
- Released its 2022 Sustainability Report reaffirming its leadership in sustainability through top quartile rankings across globally recognized ESG rating agencies
- Entered into a 15-year renewable power purchase agreement with Capstone Infrastructure Corporation Sawridge Nation's Buffalo Atlee 2 and 4 wind farms, demonstrating Gibson's commitment to the low-carbon transition and a emission reduction targets, including its Net Zero by 2050 goal
- Announced the additions of Maria Hooper, Khalid Muslih and post-quarter, Craig Richardson, to the Company's Board of Directors
- Subsequent to the quarter, Gibson's Board of Directors approved a quarterly dividend of \$0.41 per common share or an increase of \$0.02 per common share or 5%, beginning with the dividend payable in April

CEO Retirement:

Gibson also formally announced today, Steve Spaulding's intention to retire. The Company's Board of Directors will engage a search firm to evaluate internal and external candidates. To ensure a smooth transition, Mr. Spaulding will continue to serve as President and CEO and remain on the Board of Directors until a successor has been identified and appointed.

"It has been a privilege to lead Gibson's talented team of employees through such a critical and transformative period," Steve Spaulding, President and CEO. "Together, we have built a strong operational and financial foundation, extended our international platform, created peer leading value for our shareholders and successfully positioned the Company for future growth. I am proud of our peer leading performance in health and safety with almost 6 years without an employee lost time injury. With the Company operating from a position of strength, now is the right time for me to retire and for the next phase of leadership to commence. I'm confident in the team's ability to build off this momentum to drive further long-term growth and value creation forward to being a long-standing shareholder and working with the Board during this time until my successor is named."

"On behalf of the Board, I want to thank Steve for his significant contributions and critical role he has played since 2017 as Chairman, Estey, Chair of the Board. "Since his appointment, Steve and his team effectively reshaped the business, repositioning the Company from a diverse mix of business lines to a focused energy infrastructure company and most recently, successfully completed the largest acquisition in Gibson's history. Steve will be leaving Gibson well positioned for continued growth and we wish him nothing but the best in his well-deserved retirement. Going forward, the Board's focus is on ensuring we identify a leader who can build on the success to date, and who has the relevant skills and expertise to continue to drive value for our customers and shareholders."

Management's Discussion and Analysis and Financial Statements

The 2023 fourth quarter and year-end Management's Discussion and Analysis and audited Consolidated Financial Statements provide a detailed explanation of Gibson's financial and operating results for the three months and year ended December 31, 2023, as compared to the three months and year ended December 31, 2022. These documents are available at www.gibsonenergy.com and on SEDAR+ at www.sedarplus.ca.

Earnings Conference Call & Webcast Details

A conference call and webcast will be held to discuss the 2023 fourth quarter and year-end financial and operating results on Wednesday, February 21, 2024, at 7:00am Mountain Time (9:00am Eastern Time).

The conference call dial-in numbers are:

- 416-764-8659 / 1-888-664-6392
- Conference ID: 69788065

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

- <https://app.webinar.net/aQBjML5wGq0>

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 March 6, 2024, using the following dial-in numbers:

- 416-764-8677 / 1-888-390-0541
- Replay Entry Code: 788065#

Supplementary Information

Gibson has also made available certain supplementary information regarding the 2023 fourth quarter and full year financial and operating results, available at www.gibsonenergy.com.

About Gibson

Gibson is a leading liquids infrastructure company with its principal businesses consisting of the storage, optimization, processing, and gathering of liquids and refined products. Headquartered in Calgary, Alberta, the Company's operations are located across North America, with core terminal assets in Hardisty and Edmonton, Alberta, Ingleside, Texas, and including a facility in Moose Jaw, Saskatchewan.

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 Gibson's dividend increase and payment, sanction and completion of incremental infrastructure projects and continued progress in Gibson's sustainability journey, including its Net Zero by 2050 goal. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "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, dividend increase and payment, ability to achieve the anticipated benefits of the acquisition of the Gateway Terminal, ability to meet growth capital targets, ability to sanction incremental infrastructure projects and ability to place infrastructure projects into service and the timing thereof. These 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. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this press release should not be unduly relied upon. These statements speak only as of the date of this press release. The Company does not undertake any obligations to publicly update or revise any forward-looking statements except as required by securities law. Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Forward-Looking Information" and "Risk Factors" included in the Company's Annual Information Form and Management's Discussion and Analysis, each dated February 20, 2024, as filed on SEDAR+ and available on the Gibson website at www.gibsonenergy.com.

For further information, please contact:

Investors:
Beth Pollock
Vice President, Capital Markets & Risk
Phone: (403) 992-6478
Email: beth.pollock@gibsonenergy.com

Media:
Wendy Robinson
Director, Communications & Brand
Phone: (403) 827-6057
Email: wendy.robinson@gibsonenergy.com

Specified Financial Measures

This press release refers to certain financial measures that are not determined in accordance with GAAP, including non-GAAP financial measures and non-GAAP financial ratios. Readers are cautioned that non-GAAP financial measures and non-GAAP financial ratios do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other entities. Management considers these to be important supplemental measures of the Company's performance and believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures.

For further details on these specified financial measures, including relevant reconciliations, see the "Specified Financial Measures" section of the Company's MD&A for the years ended December 31, 2023 and 2022, which is incorporated by reference herein and is available on Gibson's SEDAR+ profile at www.sedarplus.ca and Gibson's website at www.gibsonenergy.com.

a) Adjusted EBITDA

Noted below is the reconciliation to the most directly comparable GAAP measures of the Company's segmented and consolidated adjusted EBITDA for the three and twelve months ended December 31, 2023, and 2022:

Three months ended December 31, (\$ thousands)	Infrastructure		Marketing		Corporate & Adjustments		Total
	2023	2022	2023	2022	2023	2022	
Segment Profit	157,968	108,855	24,474	40,315	-	-	182,442
Unrealized (gain) loss on derivative financial instruments	(5,377)	-	3,388	(3,000)	-	-	(1,989)
General and administrative	-	-	-	-	(10,893)	(10,236)	(10,893)
Adjustments to share of profit from equity accounted investees	155	1,400	-	-	-	-	155
Other	-	-	-	-	(34)	-	(34)
Adjusted EBITDA	152,746	110,255	27,862	37,315	(10,927)	(10,236)	169,681
Years ended December 31, (\$ thousands)	Infrastructure		Marketing		Corporate and Adjustments		Total
	2023	2022	2023	2022	2023	2022	
Segment Profit	494,451	434,998	148,436	122,020	-	-	642,487
Unrealized gain on derivative financial instruments	(4,637)	-	(3,484)	(4,027)	-	-	(8,148)
General and administrative	-	-	-	-	(49,570)	(40,196)	(49,766)
Adjustments to share of profit from equity accounted investees	4,448	7,442	-	-	-	-	4,448
Other	-	-	-	-	184	742	184
Adjusted EBITDA	494,262	442,440	144,952	117,993	(49,386)	(39,454)	589,065

	Three months ended December 31,	
(\$ thousands)	2023	2022
Net Income	53,301	63,891
Income tax expense	20,259	19,244
Depreciation, amortization, and impairment charges	47,690	30,834
Net finance costs	35,919	17,827
Unrealized gain on derivative financial instruments	(1,989)	(3,000)
Corporate unrealized loss on derivative financial instruments ⁽¹⁾ 866		-
Stock-based compensation	5,600	5,116
Adjustments to share of profit from equity accounted investees	155	1,400
Acquisition & integration costs	2,083	-
Corporate foreign exchange loss and other	5,797	2,022
Adjusted EBITDA	169,681	137,334

	Years ended December 31,	
(\$ thousands)	2023	2022
Net Income	214,211	223,245
Income tax expense	71,123	66,890
Depreciation, amortization, and impairment charges	142,478	144,479
Net finance costs	116,276	64,939
Unrealized gain on derivative financial instruments	(8,121)	(4,027)
Corporate unrealized loss on derivative financial instruments ⁽¹⁾ 1,296		-
Stock based compensation	20,944	20,543
Adjustments to share of profit from equity accounted investees	4,448	7,442
Acquisition & integration costs	22,042	-
Corporate foreign exchange loss (gain) and other	5,131	(2,532)
Adjusted EBITDA	589,828	520,979

b) Distributable Cash Flow

The following is a reconciliation of distributable cash flow from operations to its most directly comparable GAAP measure, cash flow from operating activities:

(\$ thousands)	Three months ended December 31, Years ended December 31,			
	2023	2022	2023	2022
Cash flow from operating activities	155,602	70,058	574,856	598,312
Adjustments:				
Changes in non-cash working capital and taxes paid	7,487	62,733	(7,434)	(81,576)
Replacement capital	(10,226)	(6,857)	(35,928)	(22,241)
Cash interest expense, including capitalized interest	(34,456)	(16,289)	(100,133)	(59,816)
Acquisition & integration costs	2,083	-	22,042	-
Lease payments	(9,628)	(7,767)	(35,896)	(35,397)
Current income tax	(7,917)	(13,418)	(31,717)	(43,074)
Distributable cash flow	102,945	88,460	385,790	356,208

c) Dividend Payout Ratio

Years ended December 31,

	2023	2022
Distributable cash flow	385,790	356,208
Dividends declared	236,907	215,446
Dividend payout ratio	61 %	60 %

d) Net Debt to Adjusted EBITDA Ratio

	Years ended December 31,	
	2023	2022
Long-term debt	2,711,543	1,646,772
Lease liabilities	62,005	71,700
Less: unsecured hybrid debt	(450,000)	(250,000)
Less: cash and cash equivalents	(143,758)	(83,596)
Net debt	2,179,790	1,384,876
Adjusted EBITDA	589,828	520,979
Net debt to adjusted EBITDA ratio	3.7	2.7

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