Tervita Corporation Announces 61% Adjusted EBITDA Increase and Strong Second Quarter 2019 Results

- ***Adjusted EBITDA of $53 million up 61% and 41% per share compared to Q2 2018 despite lower industry activity levels, reflecting stable production-based business, Newalta acquisition and continued focus on cost efficiencies and synergies***
- ***Achieved targeted annualized synergies of $45 million ahead of schedule. With our synergy target achieved, Tervita continues to see further opportunities from the strength of the combined business***
- ***Generated $42 million of Discretionary Free Cash Flow year to date in 2019, up 27% compared to the same period in 2018***
- ***Sanctioned water disposal infrastructure project backed by a multi-year contract with a senior producer in the Montney to be fully commissioned in Q1 2020***
- ***Successfully launched a normal course issuer bid with 518,386 shares repurchased as at June 30, 2019***
- ***Competition Bureau review period for the Newalta transaction ended on July 19, 2019, clearing the transaction of any further review***
- ***Remain on track to deliver double-digit Adjusted EBITDA growth in 2019 and 2020***

Calgary, AB, August 1, 2019 - Tervita Corporation ("Tervita" or the "Company") (TSX: TEV) announced today the results for the three and six months ended June 30, 2019. All financial figures are in millions of Canadian dollars unless otherwise noted.

"Our performance to date in 2019 demonstrates the stability and resiliency of our production-based energy business, the strength of our expanded network, and a continued focus on cost efficiencies," said John Cooper, President and CEO. "Our results in Q2 2019 were positively impacted by realized cost synergies from the Newalta transaction, which have progressed ahead of our expectations. With these synergies achieved, we are turning our attention to additional opportunities to leverage our expanded infrastructure, strengthen operating efficiencies and enhance our customer offerings.

"We remain on track to deliver double-digit growth in 2019, supported by expected normal seasonal improvements in our business, and a full-year contribution from synergies which will drive higher results in the second half of 2019. We are excited about the growth initiatives underway that are focused on providing solutions in the Montney and Duvernay regions. In addition, we continue to see customer demand that supports a further $200 - $300 million pipeline of organic growth capital projects that we expect will provide attractive returns and generate strong free cash flow."

	Three Months Ended June 30				Six Months Ended June 30			
	2019	2018	Increase (Decrease)	*% Change*	**2019**	2018	Increase (Decrease)	*% Change*
Energy Services revenue								
Facilities and onsite revenue	**116**	67	49	*73 %*	**236**	143	93	*65 %*
Energy marketing revenue	**424**	416	8	*2 %*	**771**	690	81	*12 %*
	540	483	57	*12 %*	**1,007**	833	174	*21 %*
Industrial Services revenue	**50**	58	(8)	*(14)%*	**114**	99	15	*15 %*
Intersegment eliminations	**—**	(1)	1	*100 %*	**—**	(2)	2	*100 %*
Revenue	**590**	540	50	*9 %*	**1,121**	930	191	*21 %*
Revenue excluding energy marketing	**166**	124	42	*34 %*	**350**	240	110	*46 %*
Energy Services Divisional EBITDA[(1)]	**57**	35	22	*63 %*	**116**	79	37	*47 %*
Industrial Services Divisional EBITDA[(1)]	**6**	9	(3)	*(33)%*	**17**	11	6	*55 %*
Divisional EBITDA[(1)]	**63**	44	19	*43 %*	**133**	90	43	*48 %*
General and administrative expenses	**(12)**	(11)	1	*9 %*	**(26)**	(21)	5	*24 %*
Net profit (loss)	**—**	—	—	*— %*	**(3)**	3	(6)	*(200)%*
- per share ($), basic and diluted	**—**	—	—	*— %*	**(0.03)**	0.03	(0.06)	*(200)%*
Adjusted EBITDA[(1)]	**53**	33	20	*61 %*	**109**	70	39	*56 %*
- per share ($), basic and diluted	**0.45**	0.32	0.13	*41 %*	**0.93**	0.67	0.26	*39 %*
Adjusted EBITDA margin[(1)]	**32%**	27%	5%		**31%**	29%	2%	
Maintenance capital	**5**	6	(1)	*(17)%*	**10**	10	—	*— %*
Growth and Expansion capital	**12**	9	3	*33 %*	**25**	19	6	*32 %*
Discretionary free cash flow[(1)]	**5**	7	(2)	*(29)%*	**42**	33	9	*27 %*
- per share ($), basic and diluted	**0.04**	0.07	(0.03)	*(43)%*	**0.36**	0.32	0.04	*13 %*
Net Debt to Adjusted EBITDA[(1)(2)]	**3.11**	2.38	0.73		**3.11**	2.38	0.73	
Shares as at June 30 (000's of shares)[(2)]								
Shares outstanding	**116,157**	104,626	11,531	*11 %*	**116,157**	104,626	11,531	*11 %*
Weighted average shares outstanding	**117,386**	104,626	12,760	*12 %*	**117,471**	104,626	12,845	*12 %*

(1) Refer to Tervita's Q2 2019 Management's Discussion and Analysis ("MD&A") and unaudited Interim Condensed Consolidated Financial Statements ("Interim Financial Statements") for further information. These financial measures are Non-GAAP measures and are, therefore, unlikely to be comparable to similar measures presented by other issuers. These Non-GAAP financial measures are defined and reconciled in Tervita's Q2 2019 MD&A.

(2) Net Debt to Adjusted EBITDA in Q2 2019 is Last Twelve Months, Pro Forma the Newalta Transaction. See Tervita's Q2 2019 MD&A for further definition and reconciliation.

(3) As at August 1, 2019, the Company had 116,499,560 common shares, 2,702,649 common share purchase warrants, and 2,586,828 options, exercisable for a maximum of one common share for each warrant or option outstanding.

Q2 and Year to Date ("YTD") 2019 Financial Highlights

- Q2 2019 revenue of $590 million increased by $50 million or 9% over the prior years' revenue of $540 million. This increase reflects higher waste and oil volumes associated with our acquisition of Newalta in Q3 2018. Industrial Services revenue decreased by 14% due to lower revenue per project in rail services and lower ferrous and non-ferrous prices, which offset growth in waste services and environmental services and stable metals recycling results.
- YTD 2019 revenue of $1,121 million increased by $191 million or 21% over the prior year, mainly due to the same factors as the quarter. Additionally, Industrial Services saw a 15% increase in revenue YTD, primarily driven by continued, steady growth in revenue from our facility-based waste business, continued success in helping our customers manage water at their operations, particularly in British Columbia, strong rail services results and higher deliveries of ferrous and non-ferrous metal volumes while maintaining our focus on cost control, particularly with the combination of our field services businesses.
- Energy Services' Q2 2019 Divisional EBITDA of $57 million increased by 63% over the prior year, due mainly to the acquisition of Newalta and realized synergies from the transaction, offset by lower industry activity compared to the prior year. Other factors that contributed to the increased results include:
  - Production-related waste volumes through our Energy Services facilities increased by 26% in Q2 2019 compared to Q2 2018, reflecting incremental volumes associated with our acquired facilities.

    - Due to a shift to higher revenue waste streams, Q2 2019 drilling-related revenue increased by 38% compared to Q2 2018 despite the decrease in drilling activity. Results were also positively impacted by a 52% increase in soil volumes at our landfills related to customer remediation activity.
    - Marketed oil volumes in Q2 2019 were 37% higher than Q2 2018, as we began marketing oil volumes from acquired Newalta facilities on January 1, 2019. Gains in higher recovered oil volumes in Q2 2019 were partially offset by lower prices when compared to the same quarter in 2018.
- Energy Services' YTD 2019 Divisional EBITDA of $116 million increased $37 million or 47% over the prior year, reflecting contributions from our expanded network and realized transaction synergies, somewhat offset by lower oil prices and industry activity compared to the prior year.
- Industrial Services' Q2 2019 Divisional EBITDA of $6 million was 33% lower than Q2 2018, primarily driven by decreased rail-related project activity. Industrial Services' YTD 2019 Divisional EBITDA was 55% higher than YTD 2018, primarily driven by Divisional EBITDA Margin improvements in our waste and environmental services businesses due to our continued focus on cost control.
- Q2 2019 Adjusted EBITDA was $53 million, a 61% improvement over the prior year. Adjusted EBITDA per share increased 41% compared to Q2 2018. This improvement reflects increased Divisional EBITDA contributions of $19 million offset by $1 million of higher G&A expense primarily from acquired Newalta corporate activities. G&A expenses in Q2 2019 continued to trend downward as a percentage of revenue excluding energy marketing.
- YTD 2019 Adjusted EBITDA was $109 million, a $39 million or 56% improvement over YTD 2018. Adjusted EBITDA per share YTD increased 39% compared to the prior year. The YTD improvement reflects increased Divisional EBITDA contributions of $43 million offset by $5 million of higher G&A expense from acquired Newalta corporate activities.
- Q2 2019 Adjusted EBITDA Margin increased to 32% from 27% in the prior year primarily due to the increase in Divisional EBITDA relative to G&A expense. YTD 2019 Adjusted EBITDA Margin increased to 31% compared to 29% in the prior year primarily due to the same reasons as the quarter. We continue to expect annual 2019 Adjusted EBITDA margin to remain stable in the 30% - 32% range.
- The Q2 2019 net profit (loss) remained unchanged at $nil from the prior year, as the increase in Adjusted EBITDA was offset by higher depreciation and amortization, and finance costs. The YTD 2019 net loss of $3 million was a $6 million decrease from the prior year, primarily due to higher depreciation and amortization expense and finance costs related to the acquisition of Newalta and the change in lease accounting, partially offset by an income tax recovery.
- Q2 2019 Discretionary Free Cash Flow of $5 million decreased 29% from the prior year due to lower proceeds on disposition of long-lived assets. Tervita generated $42 million of Discretionary Free Cash Flow for YTD 2019, a 27% increase from the same period in the prior year. Discretionary Free Cash Flow was more than sufficient to fund the $25 million of growth and expansion capital spent YTD to June 30, 2019.

Q2 2019 versus Q1 2019 Highlights

- Adjusted EBITDA of $53 million was $3 million or 5% lower than Q1 2019 Adjusted EBITDA of $56 million. This strong level of stability despite the normal seasonality that is typical in the Western Canadian Sedimentary Basin ("WCSB") reflects our high level of revenue backed by stable production and our success in quickly achieving the Newalta transaction synergies in addition to our continued disciplined focus on costs. Despite WCSB meters drilled being down 45% in Q2 2019 compared to Q1 2019, Energy Services' Treatment, Recovery and Disposal ("TRD") facility volumes were relatively flat compared to Q1 2019 as a result of stable production volumes, while total landfill volumes declined 34% due to lower drilling activity. In Industrial Services, performance in Q2 2019 compared to Q1 2019 was lower mainly due to reduced contribution from rail services.

Other Highlights

- We expect to spend $30 - $35 million in maintenance capital and $90 - $100 million of growth and expansion capital in 2019. Our growth and expansion projects are largely focused in Energy Services to grow our ability to meet customer demands in the Montney and Duvernay regions of Alberta and British Columbia. Q2 2019 cash spend towards these growth and expansion projects was $12 million, and included drilling a new disposal well and capital towards our recently announced contracted water disposal infrastructure project. Growth and expansion capital YTD in 2019 was $25 million and included the drilling of new disposal wells, landfill cell and cavern expansions, and the purchase of new railcars to increase capacity for our metals recycling business. Tervita's capital spending is typically weighted to the second half of the year as compared to the first half of the year.

- Q2 2019 cash spend on maintenance capital was $5 million, $1 million lower than the $6 million spent in the same quarter of 2018. YTD 2019 maintenance capital was $10 million, in line with the $10 million spent in the same period of 2018.
- On January 1, 2019, Tervita adopted IFRS 16, "Leases", using the modified retrospective transition approach. The adoption of IFRS 16 resulted in a $57 million increase in liabilities and a $2 million increase in Q2 2019 Adjusted EBITDA. Please see the Interim Financial Statements for the three and six months ended June 30, 2019 for further details.

Outlook

- For the remainder of the year, we anticipate relatively stable WTI prices with some widening of Canadian oil price differentials and although we expect to see improving drilling and completion activity, levels will remain lower than in the second half of 2018. Our focus will remain on delivering solutions to our customers and executing on our planned growth capital spend.
- We continue to expect that the contribution from a full year of Newalta operations and related integration synergies, additional contributions from growth capital spending, and steady improvements from our Industrial Services businesses will result in double-digit growth in Tervita's Adjusted EBITDA in 2019 compared to 2018.
- Looking forward to 2020, we anticipate that contributions from our 2019 growth and expansion projects will continue to grow Tervita's annual Adjusted EBITDA in the double-digits even in the absence of any market tailwinds. These projects include:
    - expansion of our storage and blending capacity at three TRD facilities;
    - development of a customer dedicated water disposal facility comprised of three pipeline-connected disposal wells in the Montney play;
    - completion and tie-in of additional water disposal wells at two of our active TRD facilities in the Montney and heavy oil areas of operations;
    - construction of two landfill cells; and
    - the continued washing of an additional cavern.
- As at the end of Q2 2019, we have executed on an annualized run rate of $45 million of Adjusted EBITDA synergies ahead of schedule, at the top of our expected range. We now expect annualized synergies from the acquisition will be at least $46 million of Adjusted EBITDA. Our associated one-time costs to the end of Q2 2019 were $22 million, and we now anticipate total one-time costs of approximately $24 million.
- For the full year 2019, we anticipate realizing approximately$44 million in synergies, excluding commercial opportunities. With our synergy target achieved, Tervita sees further opportunities from the strength of the combined business.

MD&A and Financial Statements

The Q2 2019 MD&A, Interim Financial Statements, and Annual Information Form, which contain additional notes and disclosures, are available on SEDAR under Tervita Corporation at www.SEDAR.com or on our website at www.tervita.com on the Investor Relations page.

Second Quarter 2019 Conference Call

Tervita will host a conference call on Friday August 2, 2019 at 7:00 a.m. MT to discuss details related to the second quarter. To participate in the conference call, dial 647-427-7450 or toll free 1-888-231-8191. To access the simultaneous webcast, please visit www.tervita.com. For those unable to listen to the live call, a taped broadcast will be available at www.tervita.com and, until midnight on Friday, August 9, 2019 by dialing 855-859-2056 and using the pass code 9791344.

About Tervita

Tervita is a leading waste management and environmental solutions provider offering waste processing, treating, recycling, and disposal services to customers in the oil and gas, mining, and industrial sectors. We serve our customers onsite and through a network of facilities in Canada and the United States.

For 40 years, Tervita has been focused on delivering safe and efficient solutions through all phases of a project while minimizing impact, maximizing returns™. Our dedicated and experienced employees are trusted sustainability partners to our clients. Safety is our top priority: it influences our actions and shapes our culture. Tervita trades on the TSX as TEV. For more information, visit tervita.com.

Advisories

Forward-Looking Information

This news release contains certain statements that may be "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws. Forward looking statements are statements that are not historical facts and are often, but not always, identified using words or phrases such as "expects", "plans", "anticipates", "believes", "intends", "estimates", "estimated", "projects", "potential" and similar expressions, or stating that certain actions, events or conditions "will", "would", "may", "might", "could" or "should" occur or be achieved or other similar terminology. In particular, but without limiting the foregoing, this news release contains forward-looking statements or information pertaining to, our outlook for 2019 including expectations regarding our Adjusted EBITDA growth, annual Adjusted EBITDA margin and capital spending, expected continued benefits from the Newalta transaction including realization of synergies and one-time costs associated therewith; ability to successfully execute our growth and expansion projects; market and industry outlook with respect to drilling and completion activity, relatively stable oil and gas prices and Western Canadian oil and gas production levels; continued business focus on the Western Canadian Sedimentary Basin; long-term oil and gas environmental services market outlook in Canada will generate sufficient demand for Tervita'sservices, our expectations that oil and gas producers will continue to outsource waste by-product treatment and disposal and that it is difficult for third parties to replicate the expensive footprint of our facilities, our growth strategy and our ability to take advantage of future growth opportunities, our cash flow, liquidity and financial position, our expectations regarding our maintenance capital spending, growth and expansion capital projects and sources of funding for our capital program. By their nature, forward-looking statements and information involve known and unknown opportunities, costs, risks and uncertainties that may cause actual results; to differ materially from those anticipated. Risks and uncertainties that may affect actual results include, without limitation, our ability to realize the expected benefits of the arrangement, decreases in exploration, drilling and production activity levels in the markets where we offer our services, customers may decide to no longer outsource their waste management and other environmental service activities, risks related to non-compliance with environmental laws or delays resulting from such non-compliance, legislative and regulatory initiatives that impact our business, competition, fluctuations in commodity prices and exchange rates and volatility in global financial conditions. For a more detailed discussion of risks relating to Tervita see our most recent Annual Information Form. With respect to the forward-looking statements and information contained in this news release, Tervita has made assumptions regarding, among other things: our ability to integrate our business with that of Newalta, the realization of the anticipated benefits and other synergies and cost savings of the arrangement, the stability of the industries in which we operate, the creditworthiness of our customers, commodity prices, no material changes in the legislative and operating framework our business, our ability to access capital, our ability to successfully market our business in the areas in which we operate, conditions of the oil and gas industry in our current and proposed market, general economic, business and market conditions, our future debt levels and the impact of increasing competition. Although Tervita believes the expectations expressed in such forward-looking statements and information are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward looking statements. Forward-looking statements and information are based on the beliefs, estimates and opinions of Tervita's management on the date the statements are made. Except as required by law, Tervita undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.

The forward-looking statements and information included in this news release are expressly qualified in their entirety by this cautionary statement. Tervita cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward-looking statements and information contained in this news release are made as of the date hereof, and Tervita does not undertake any obligation to update publicly or to revise any of the included forward-looking statements or information, whether as a result of new information, change in management's estimates or opinions, future circumstances or events or otherwise, except as expressly required by applicable securities law.

Any financial outlook in this document, as defined by applicable securities legislation, including estimates regarding Tervita's expected realization of synergies from the arrangement and one-time costs associated therewith, are based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available and has been approved by management of Tervita. Such financial outlook is provided with the purpose of providing information about management's current expectation and management's plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes and actual results may vary from the financial outlook information set forth in this press release and should not be relied on as necessarily indicative of future results.

Non-GAAP Financial Measures

Certain financial measures in this news release are not prescribed by Internal Financial Reporting Standards ("IFRS") and therefore are considered non-GAAP measures. All non-GAAP measures presented herein do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies. Therefore, these non-GAAP measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. All non-GAAP measures are included because management uses the information to analyze operating performance and results, and therefore may be considered useful information by investors. Any non-GAAP measure presented herein has been identified and the applicable definition and reconciliation of such non-GAAP measure can be found in Management's Discussion and Analysis for Q2 2019 available at www.sedar.com.

For further information please contact:

Investor Relations
1-866-233-6690
IR@tervita.com