



**TIDEWATER**  
Midstream and Infrastructure Ltd.

# Tidewater Midstream Announces the Creation of Tidewater Renewables and Capitalization via Initial Public Offering

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CALGARY, AB, July 21, 2021 /CNW/ - Tidewater Midstream and Infrastructure Ltd. ("**Tidewater Midstream**") is pleased to announce the creation of Tidewater Renewables Ltd. ("**Tidewater Renewables**") as a wholly owned subsidiary. Tidewater Renewables has been formed to become a multi-faceted, energy transition company focusing on the production of low carbon fuels. The creation of and the initial public offering of Tidewater Renewables is a result of a thorough evaluation of financing alternatives with the goal of funding Tidewater Renewables' portfolio of clean fuel projects while allowing Tidewater Midstream to continue to deleverage through 2021. A preliminary prospectus qualifying the initial public offering of Tidewater Renewables common shares to the public (the "**Offering**") was filed today.

Tidewater Renewables intends to pursue a growth strategy focused on building out its three proposed operating business units: (i) renewable diesel, (ii) renewable hydrogen, and (iii) renewable natural gas through the ownership, development, and operation of clean fuels projects and related infrastructure, utilizing proven technologies. Upon its formation, Tidewater Renewables will acquire certain pre-existing operating assets as well as a number of growth projects from Tidewater Midstream that will provide an initial platform for the renewable diesel, renewable hydrogen, and renewable natural gas business units (the "**Acquired Assets**"). The Acquired Assets include existing logistics (loading, unloading and rail assets for feedstock coming in and renewable fuels going out at Prince George Refinery ("**PGR**"), processing activities (existing processing capacity and hydrogen production required for the co-processing projects at PGR), storage (tankage for storage and blending for renewable diesel at PGR and storage reservoirs for renewable natural gas located at the Brazeau River Complex), and utilities that will facilitate the operation of the renewable fuels growth projects as they come on line. Tidewater Renewables expects the Acquired Assets to generate approximately \$40 million of run-rate EBITDA primarily from take-or-pay contracts with an average term of ten to fifteen years and Tidewater Midstream as the counterparty, and from select other non-take-or-pay activities.

Tidewater Renewables initial growth projects will target the production of renewable diesel via: i) the Canola Co-Processing Project (canola-based) utilizing existing PGR infrastructure and expected to come online in Q4 2021, ii) the FCC Co-Processing Project (wood-based biocrude) also utilizing existing PGR infrastructure and expected to come online in Q2 2023, and iii) the Renewable Diesel & Renewable Hydrogen Complex, which is a separate but co-located asset to PGR, that management expects to be online in Q1 2023. Management anticipates the Canola Co-Processing Project to generate approximately \$5 million of EBITDA in 2022 on a full year run rate basis, the FCC Co-Processing Project to generate approximately \$6 million of EBITDA in 2023 on a full year run rate basis, and the Renewable Diesel & Renewable Hydrogen Complex to generate approximately \$90 – 95 million of EBITDA in 2023 on a full year run rate basis based on certain operating assumptions fully described in the preliminary prospectus. Additional projects include initiatives in the renewable natural gas and renewable hydrogen business units and are in the planning stages. For additional

detailed information on Tidewater Renewables' current and future projects please refer to the preliminary prospectus.

Consideration to Tidewater Midstream for the Acquired Assets is \$180 million of cash made up of net proceeds from the initial public offering and drawn amounts on a newly created Tidewater Renewables \$150 million bank line, as well as a majority equity stake in Tidewater Renewables after closing the Offering (equity stake to be determined by ultimate price and size of the Offering). Net proceeds from the Offering will be entirely used to fund a portion of the acquisition of the Acquired Assets from Tidewater Midstream.

Tidewater Renewables will be led by Joel A. MacLeod, as Executive Chairman and Chief Executive Officer, Joel K. Vorra, as President and Chief Financial Officer and Krasen V. Chervenkov, Executive Vice-President, Business Development and Strategy. As part of the transaction, Tidewater Renewables will enter into a Shared Services Agreement pursuant to which Tidewater Midstream will provide certain administrative and management services required to operate, administer and maintain the Acquired Assets.

Upon completion of the Offering, Tidewater Renewables intends to have a majority-independent Board of Directors and is expected to enter into a Governance Agreement with Tidewater Midstream. Pursuant to the Governance Agreement, the Board of Directors will have an independence sub-committee composed of the board members that are independent from Tidewater Midstream which will be tasked with determining material matters related to Tidewater Midstream including material contracts, commercial agreements and any disputes between Tidewater Midstream and Tidewater Renewables.

### **Strategic & Financial Benefits Accruing to Tidewater Midstream**

- Establishes a pure-play, publicly traded vehicle for pursuing and funding growth opportunities in the renewable fuels sector
- Transaction unlocks significant value from energy transition assets for Tidewater Midstream shareholders
- Tidewater Midstream retains material ownership of Tidewater Renewables
  - Upon completion of the Offering, Tidewater Midstream expects to hold a majority interest in Tidewater Renewables
- Tidewater Midstream retains over \$160 million of run-rate EBITDA from its existing midstream, marketing and extraction and downstream core business and a majority equity interest in the \$40 million of run-rate EBITDA contained within Tidewater Renewables
  - Following the completion of the Offering, Tidewater Midstream will retain full control and ownership of its existing core assets including the Brazeau River Complex, the Pipestone Gas Plant and the Prince George Refinery
- Provides proceeds of approximately \$180 million to repay debt and support Tidewater Midstream delevering efforts. The combination of the Offering and the closing of the Pioneer Pipeline disposition enables Tidewater Midstream to significantly reduce leverage and improves Tidewater Midstream's balance sheet:
  - Immediately achieves Tidewater Midstream's previous twelve-month leverage target of 3.0x to 3.5x total debt to EBITDA with a near term target of under 3.0x
- Provides access to material pools of capital targeting energy transition and ESG focused equities

Completion of the Offering is subject to, and conditional upon, the receipt of all necessary approvals, including regulatory approvals. The Offering is expected to close in August 2021. CIBC Capital Markets and National Bank Financial are acting as co-lead underwriters for the Offering.

This press release does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale or any acceptance of an offer to buy these securities in any province or territory of

Canada prior to the time that a receipt for the final prospectus or other authorization is obtained from the securities commission or similar regulatory authority in such province or territory. Copies of the preliminary prospectus are available on SEDAR at <http://www.sedar.com/>.

The shares of Tidewater Renewables have not been, nor will they be, registered under the U.S. Securities Act of 1933, as amended, or under any securities laws of any state or other jurisdiction of the United States, and have not been and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the United States Securities Act of 1933, as amended) absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the Tidewater Renewables' shares in the United States or to, or for the account or benefit of, U.S. persons, nor will there be any offer, solicitation of an offer to buy or sale of any of the shares in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## **About Tidewater Midstream**

Tidewater Midstream is traded on the TSX under the symbol "TWM". Tidewater Midstream's business objective is to build a diversified midstream and infrastructure company in the North American natural gas, natural gas liquids and crude oil and refined product space. Its strategy is to profitably grow and create shareholder value through the acquisition and development of oil and gas infrastructure. Tidewater Midstream plans to achieve its business objective by providing customers with a full service, vertically integrated value chain, including gas plants, pipelines, railcars, export terminals, storage and downstream facilities.

## **Cautionary Notes**

### *Advisory Regarding Forward-Looking Statements*

Certain statements in this news release are "forward-looking information" within the meaning of applicable Canadian securities legislation ("forward-looking statements"). Such forward-looking statements relate to possible events, conditions or financial performance of the Company based on assumptions about future economic conditions and courses of action. All statements other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "objective", "ongoing", "outlook", "potential", "project", "plan", "should", "target", "would", "will" or similar words suggesting future outcomes, events or performance. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although the Company believes there is a reasonable basis for the expectations and assumptions reflected in the forward-looking statements, undue reliance should not be placed on the forward-looking statements because the Company can give no assurances that they will prove to be correct. The forward-looking statements contained in this news release speak only as of the date hereof and are expressly qualified by this cautionary statement.

Specifically, this news release contains forward-looking statements relating to, but not limited to: goals and objectives of Tidewater Renewables; plans to deleverage Tidewater through 2021; anticipated growth strategy of Tidewater Renewables and proposed operating business units; anticipated acquisition by Tidewater Renewables of pre-existing operating assets and growth projects from Tidewater and the composition thereof; projections with respect to run-rate EBITDA projections of Tidewater Renewables' acquired assets; anticipated sources of production for renewable diesel; anticipated execution by Tidewater Renewables of certain corporate governance agreements; projected composition of the Board of Tidewater Renewables; the initial growth projects targeted by Tidewater Renewables and the date such projects are expected to come

online; plans for Tidewater Renewables to pursue additional projects; projected strategic financial benefits accruing to Tidewater as a result of the successful execution of the Offering; and, the anticipated closing and date of closing of the Offering.

Such forward-looking statements are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this document, assumptions have been made regarding, among other things: Tidewater Renewable's ability to execute on its business plan; the timely receipt of all governmental and regulatory approvals or commitments; the availability of capital to fund planned and future capital expenditures; that third parties, counterparties and governments will provide any necessary and expected support; that there are no unforeseen events preventing the performance of contracts; ability to negotiate and enter into new commercial arrangements relating to the renewable initiatives with counterparties, customers and other third parties; the viability, costs, results and environmental impact Tidewater Renewable's renewable energy initiatives, including both current and planned projects; the Company's operating activities and results from operation based on key input assumptions, including incremental and one-time project and operating costs, revenue and EBITDA; ability to complete renewable energy initiative projects within expected timeframes and costs; availability of third party participation required for completion of Tidewater Renewables' planned renewable energy projects; current industry conditions, laws and regulations continuing in effect (or, where changes are proposed, such changes being adopted as anticipated); consumer use and demand for renewable diesel, renewable hydrogen and other renewable resources; general demand for renewable products; availability of capital for renewable energy projects on commercially reasonable terms; counterparty participation in renewable energy projects; and the availability and amount of governmental carbon tax and fuel standards credits applicable to the Company.

Actual results achieved will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors, including but not limited to: general economic, political, market and business conditions, including fluctuations in interest rates, foreign exchange rates stock market volatility and supply/demand trends; the uncertain impacts of COVID-19 on the Company's business, and the societal, economic and governmental response to COVID-19; activities of producers and customers and overall industry activity levels; operational matters, including potential hazards inherent in the Corporation's operations and the effectiveness of health, safety, environmental and integrity programs; actions by governmental authorities, including changes in government regulation, tariffs, taxation and credit programs, including changes to the commitments received from governmental authorities in respect of the renewable energy initiatives; changes in operating and capital costs, including fluctuations in input costs; ability to access sufficient capital to fund renewable energy initiatives; and changes in demand for renewable products.

The foregoing lists are not exhaustive. Additional information on these and other factors which could affect the Company's operations or financial results are included in the Company's most recent annual information form and in other documents on file with the Canadian Securities regulatory authorities.

The above summary of assumptions and risks related to forward-looking statements in this news release has been provided in order to provide shareholders and potential investors with a more complete perspective on Tidewater's current and future operations and such information may not be appropriate for other purposes. There is no representation by Tidewater that actual results achieved will be the same in whole or in part as those referenced in the forward-looking statements and Tidewater does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities law.

This news release contains financial outlook information about projected results of operations, EBITDA and operating costs, which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. The financial outlook information was

approved by management of Tidewater as of the date of this news release and was provided for the purpose of providing further information about the Company's anticipated future business operations. Readers are cautioned that reliance on such information may not be appropriate for other purposes. Tidewater disclaims any intention or obligation to update or revise any financial outlook information contained in this news release, whether as a result of new information, future events or otherwise, unless required by applicable securities law.

## **Non-GAAP Measures**

This press release refers to "EBITDA" which does not have any standardized meaning prescribed by generally accepted accounting principles in Canada ("GAAP"). EBITDA is calculated as income or loss before interest, taxes, depreciation, share-based compensation, unrealized gains/losses, non-cash items, transaction costs, items that are considered non-recurring in nature and the Corporation's proportionate share of EBITDA in their equity investments.

Tidewater's management believes that EBITDA provides useful information to investors as it provides an indication of results generated from the Corporation's operating activities prior to financing, taxation and non-recurring/non-cash impairment charges occurring outside the normal course of business. EBITDA is used by management to set objectives, make operating and capital investment decisions, monitor debt covenants and assess performance. In addition to its use by management, Tidewater also believes EBITDA is a measure widely used by security analysts, investors and others to evaluate the financial performance of the Corporation and other companies in the midstream industry. Investors should be cautioned that EBITDA should not be construed as alternatives to earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of the Corporation's performance and may not be comparable to companies with similar calculations.

**"Run Rate EBITDA"** is defined as the expected EBITDA to be generated by a specific Acquired Asset or specific growth project corresponding to a full year of operations at full capacity. Run Rate EBITDA excludes non-cash items including stock-based compensation. The calculation of Run Rate EBITDA is based in certain estimates and assumptions and should not be regarded as a representation by the Corporation or any other person that the Corporation will achieve such operating results. Prospective investors should not place undue reliance on the Corporation's Run Rate EBITDA and should make their own independent assessment of the Corporation's future results or operations, cash flows and financial condition.

For more information with respect to financial measures which have not been defined by GAAP, including reconciliations to the closest comparable GAAP measure, see the "Non-GAAP Measures" section of Tidewater's most recent MD&A which is available on SEDAR.

Additional information relating to Tidewater is available on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.tidewatermidstream.com](http://www.tidewatermidstream.com).

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**For further information:** Tidewater Midstream & Infrastructure Ltd., Joel MacLeod, Chairman and CEO, 587.475.0210, [jmacleod@tidewatermidstream.com](mailto:jmacleod@tidewatermidstream.com)

CO: Tidewater Midstream and Infrastructure Ltd.

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