# INVESTOR PRESENTATION

TSX | IPL

APRIL 2021

interpipeline

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Cautionary Note Regarding Forward Looking Statements

Certain information contained herein may constitute forward-looking statements and information (collectively, "forward-looking statements") within the meaning of applicable securities legislation that involve known and unknown risks, assumptions, uncertainties and other factors. Forward-looking statements may be identified by words like ''anticipates'', ''estimates'', ''expects'', ''indicates'', ''intends'', "may", "could" "should", "would" ''plans'', ''scheduled'', ''projects'', ''outlook'', ''proposed'', ''potential'' ''will'', and similar expressions. 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Inter Pipeline cannot accurately predict the impact COVID-19 will have on its ability to execute its business plans in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their contractual obligations with Inter Pipeline, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected jurisdictions; and future demand for Inter Pipeline's services. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and Inter Pipeline's operations, suppliers and customers, and ability to advance its projects or carry out its ongoing business plan, could be adversely affected. 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Currency

All dollar values are expressed in Canadian dollars unless otherwise noted.

# INVESTMENT HIGHLIGHTS

- **Top tier energy infrastructure business that has significant growth potential**
- **Reliable operations, with stable cash flow and a self-funded equity model**
- **Significant liquidity available on $2.5 billion of committed credit facilities**
- **High-quality counterparties, with ~75% of Canadian revenue sourced from investment grade entities**
- **Investment grade credit ratings from DBRS and S&P**

# RECENT DEVELOPMENTS

- **Board of Directors announced a review of strategic alternatives to maximize shareholder value**
- **Pursuing a strategic partner for a material interest in the Heartland Petrochemical Complex (HPC)**
- **HPC awarded $408 million grant under Alberta's Petrochemicals Incentive Program (APIP)**
- **Announced exchange of the Empress II & V straddle plants for the Milk River pipeline system and $35 million**
- **Closed divestiture of a major portion of the European bulk liquid storage business for ~$727 million**

# ACTION-BASED BUSINESS STRATEGY

## ENSURE FINANCIAL STRENGTH AND FLEXIBILITY

- Dividend reset retains over $0.5 billion of cash flow annually
- Suspended DRIP to eliminate shareholder dilution
- Entered new $1.0 billion committed credit facility, extended $500 million term loan, and successfully repaid July 2020 and February 2021 MTN maturities
- Divested a major portion of the European bulk liquid storage business for ~$727 million
- Implemented expense reductions organization wide
- Exploring partnership opportunities for a material interest in HPC

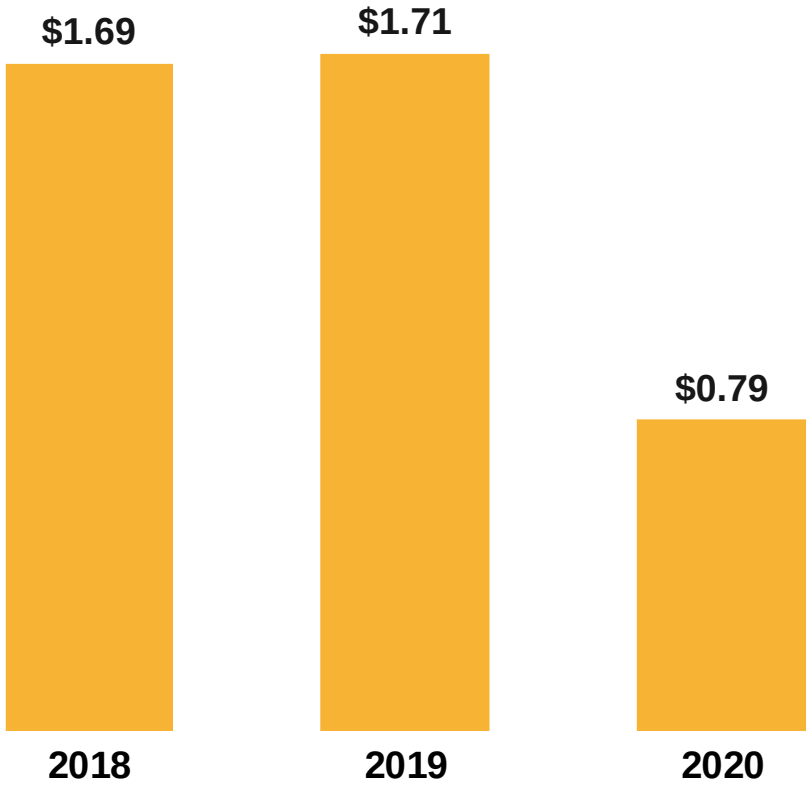
## ENSURE THE SAFE AND RELIABLE OPERATION OF OUR HIGH-QUALITY ENERGY INFRASTRUCTURE

- Workforce health and safety remains a top priority
- Oil sands, conventional and bulk liquid storage expected to provide cash flow stability
- Continued focus on the construction and commercial underpinning of HPC

# DIVIDEND PROFILE

**Dividends per share**

**Monthly dividend reset to $0.04 per share or $0.48 on an annualized basis**

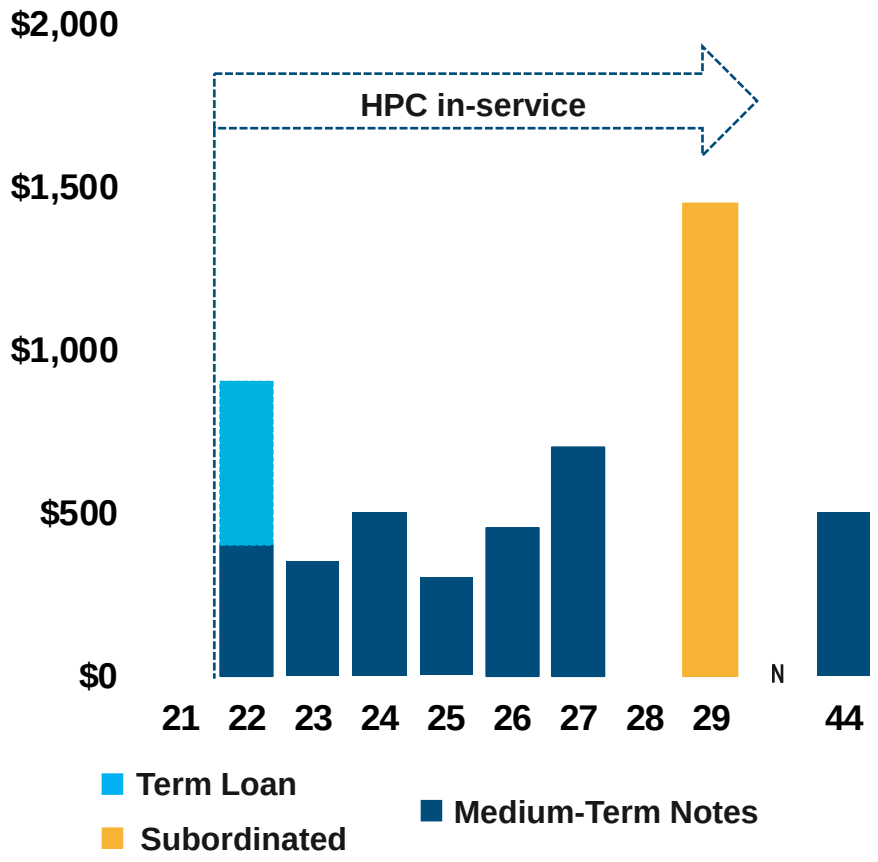



- **Dividend reset provides additional financial flexibility**
  - ✓ Over $0.5 billion of incremental cash retained annually
- **DRIP suspension eliminates dilution**
  - ✓ Positioned to self-fund the remaining equity required for current capital expenditures
- **Dividend philosophy**
  - ✓ Deliver a meaningful and stable dividend to shareholders
  - ✓ Underpinned by 100% cost-of-service and fee-based cash flow
  - ✓ Opportunity to increase the dividend in the future as business conditions permit

# FINANCIAL FLEXIBILITY

**$ Million**

**Recourse Debt Maturity Profile***
Weighted-average: cost ~4.6% and maturity ~8 years




- **Significant liquidity available**
  - ✓ $2.5 billion of committed credit facilities with ~$2.1 billion undrawn*
  - ✓ Cash proceeds received from the sale of European bulk liquid storage assets
- **No re-financing required prior to HPC expected in-service**
  - ✓ $325 million MTN due February 2, 2021 was repaid
  - ✓ Next maturity is not until May 30, 2022
- **Investment grade credit ratings**
  - ✓ BBB by DBRS and BBB- by S&P
  - ✓ Leverage and credit ratios expected to improve once HPC is fully operational

*As at February 2, 2021; excludes revolving credit facilities; weighted average calculations include fixed-rate debt only; subordinated hybrid notes are callable after 10 years

# GROWTH PROJECTS

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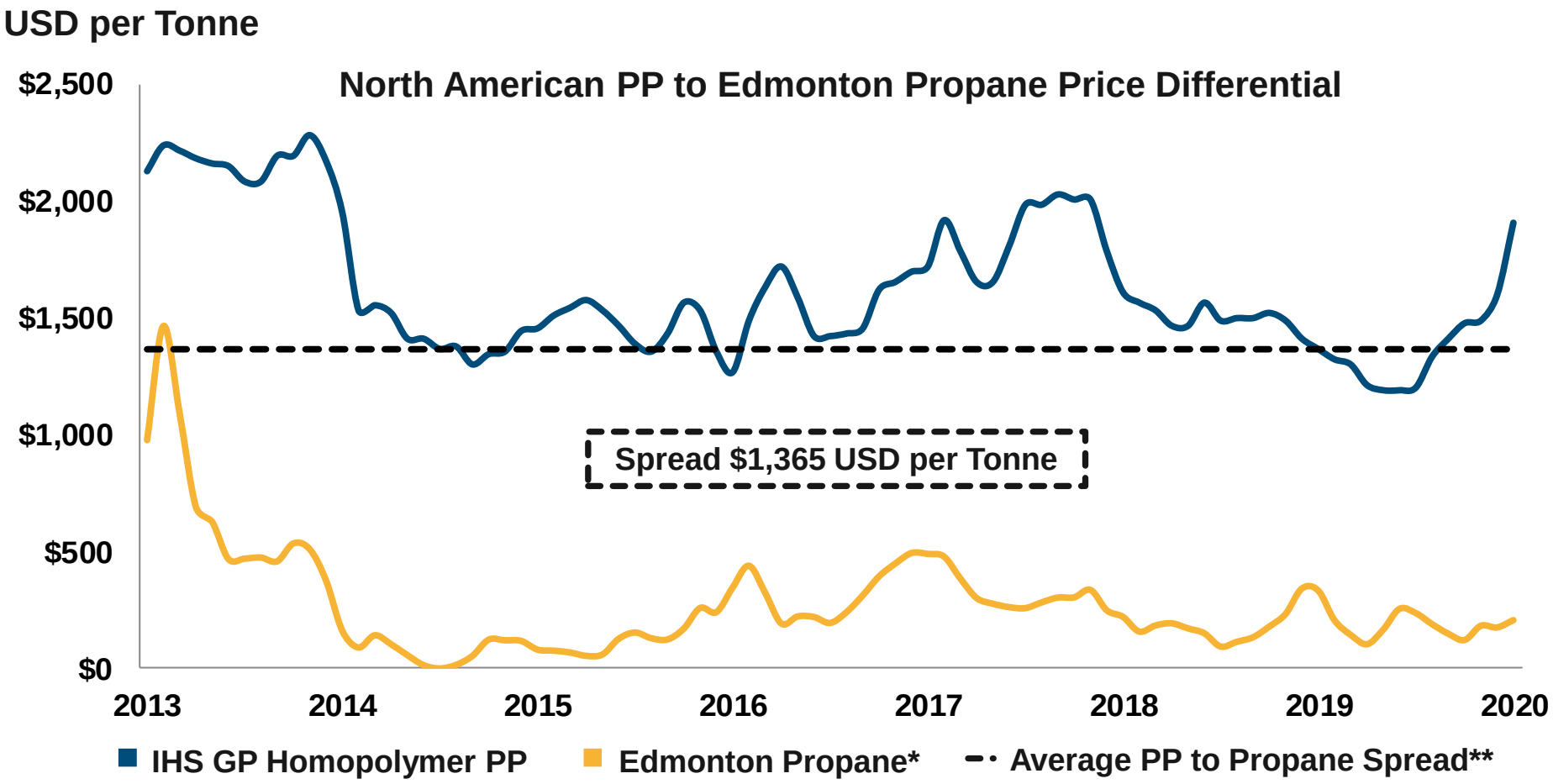
# HEARTLAND PETROCHEMICAL COMPLEX

- **Transformational growth opportunity**
  - ✓ Capacity to consume ~22,000 b/d of propane to produce ~525 kilotonnes per annum (KTA) of polypropylene (PP)
  - ✓ Expected to add approximately $450-$500 million of long-term average annual EBITDA
  - ✓ Target 70%-85% of processing capacity to be underpinned by cost-of-service contracts
- **Alberta-produced PP expected to have one of the lowest cash costs in North America**
  - ✓ Oversupplied propane market in Western Canada drives a long-term, low-cost feedstock advantage
  - ✓ Average Mont Belvieu to Edmonton propane price differential of $0.26 USD per USG*

*Average from April 2014 to December 2020, representing the period since the Cochin pipeline discontinued Alberta propane export service

# POLYPROPYLENE IS A PREMIUM PRODUCT

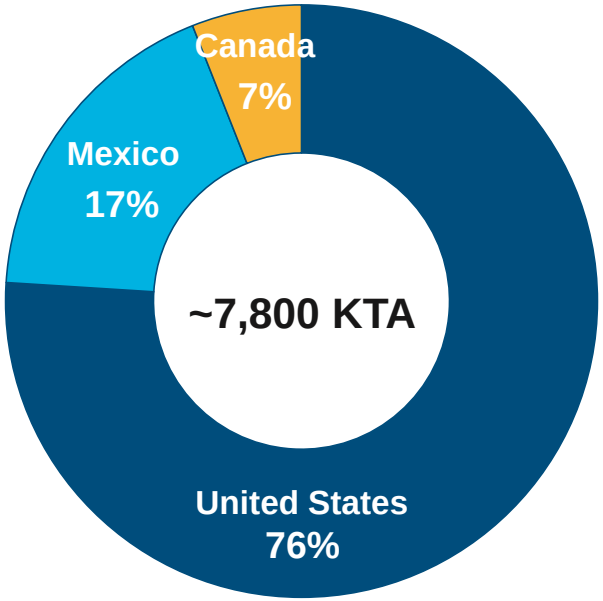



**Converting Canadian Propane into Polypropylene has significant economic uplift**

*Price adjusted for propane to polypropylene yield of 1.2x
**Average from April 2014 to December 2020, representing the period since the Cochin pipeline discontinued Alberta propane export service

# POLYPROPYLENE DEMAND

## North American PP Demand




- **United States is the primary market for PP in North America**
  - ✓ Targeting the US Midwest for HPC PP, which accounts for ~45% of US market demand

- **PP is the world's single largest polymer**
  - ✓ Accounts for ~30% of global demand
  - ✓ Used in many common goods such as consumer packaging, automobile parts, medical equipment, currency and textiles
- **Types of PP include homopolymer as well as random and impact copolymer**
  - ✓ HPC to initially focus on homopolymer, which accounts for ~70% of the global market
- **Strong demand growth**
  - ✓ Global demand of ~76,000 KTA forecast to grow to ~94,000 KTA by 2025
  - ✓ World-scale facility required every ~2 years to meet future North American demand
  - ✓ Canada currently imports 100% of its PP demand

Source: IHS Markit Materials; demand figures based on 2019 actuals

# CUSTOMER VALUE PROPOSITION

**Indicative Economics***

**90%**
**Propane Producer Uplift**

**20%**
**PP Buyer Savings**

**$1,365**
**Average PP to Propane Spread (USD/t)**

**$1,825**
**Current PP to Propane Spread (USD/t)**
January 2021

- **Benefits for propane producers:**
  - ✓ Offers a higher realized propane price relative to selling in the local, oversupplied market
  - ✓ Creates ratable demand for propane
  - ✓ Adds diversification to propane sales portfolio
- **Benefits for PP buyers:**
  - ✓ Offers lower realized PP feedstock price relative to buying on the spot market
  - ✓ Provides supply diversification
  - ✓ Allows vertical integration without capital outlay

**Significant value exists for HPC customers**

*Producer uplift and buyer savings based on Edmonton propane price, an indicative capital fee as well as estimated operating costs; spreads adjusted for propane to PP yield of 1.2x; data from April 2014 through December 2020, representing the period since the Cochin pipeline discontinued Alberta propane export service

# PROJECT STATUS

- **Approximately 75% of the ~$4 billion project cost de-risked**
  - ✓ Based on lump-sum contracts, firm purchase orders, and substantially completed construction and design activities
- **Project expected to be mechanically complete by the end of 2021**
  - ✓ PDH in May 2021
  - ✓ PP by the end of 2021
  - ✓ Expected in-service remains early 2022
- **Partnership process ongoing for a material interest in HPC**
  - ✓ Would be credit positive by reducing future funding requirements and improving ratios
  - ✓ Expected to conclude H1 2021

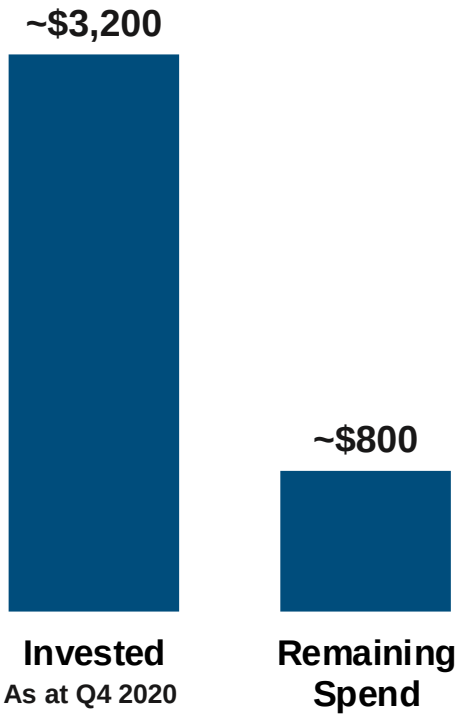
# OPERATIONAL EXPERTISE & READINESS

- **Extensive NGL operating experience**
  - ✓ Full operational responsibility for the Cochrane straddle plant, as well as the Pioneer 1 & 2 offgas plants
  - ✓ Management oversight of the Redwater Olefinic Fractionator
- **De-risking facility start-up**
  - ✓ Utilizing commercially-proven PDH and PP process technologies
  - ✓ Ability to leverage technology licensors for training and support
  - ✓ Over 250 personnel hired, including the GM and senior members of the team

# FINANCING STRATEGY

**$ Million**

**Total HPC cost of ~$4 billion**

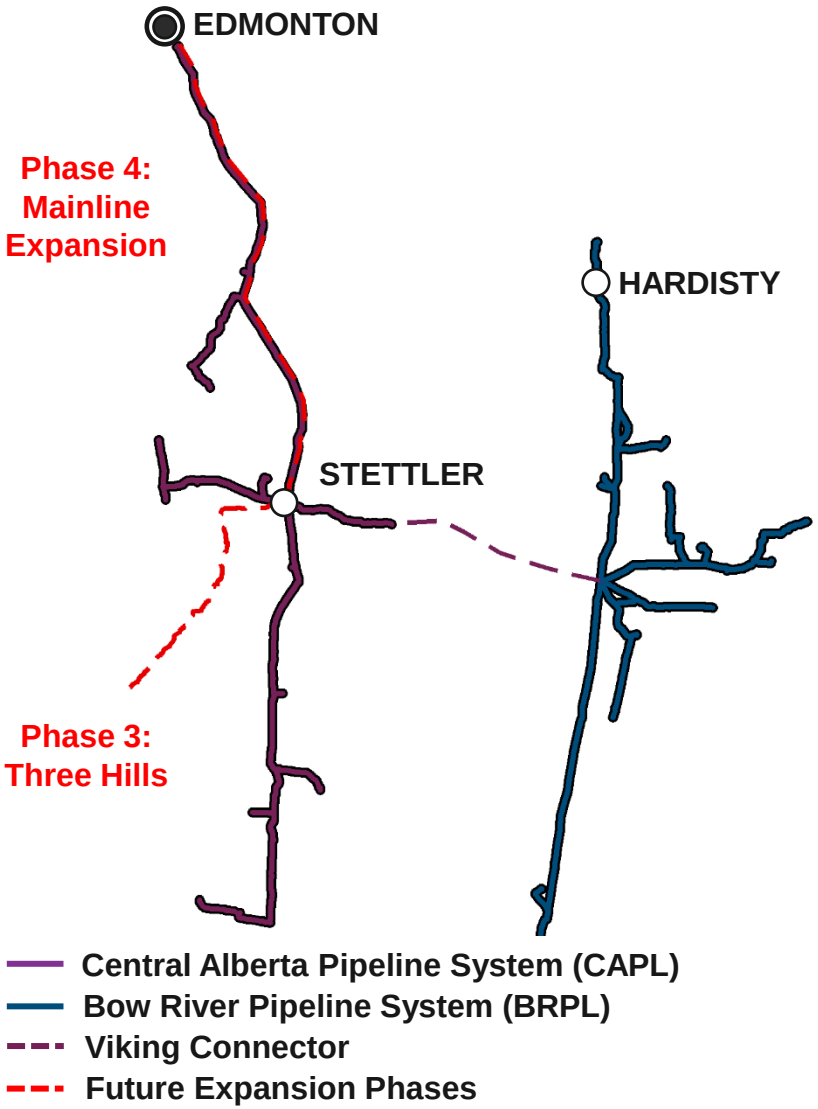



## Heartland Complex financing sources

- Potential proceeds from a strategic partnership
- $2.5 billion of committed credit facilities; ~$2.1 billion undrawn as at February 2, 2021
- Cash proceeds of ~$727 million received from the sale of European bulk liquid storage assets
- Periodic issuance of new term debt; closed $700 million MTN offering in June 2020
- Hybrid debt securities; successfully issued $1.45 billion of hybrid notes during 2019
- Undistributed cash flow from operations

**Positioned to internally fund HPC**

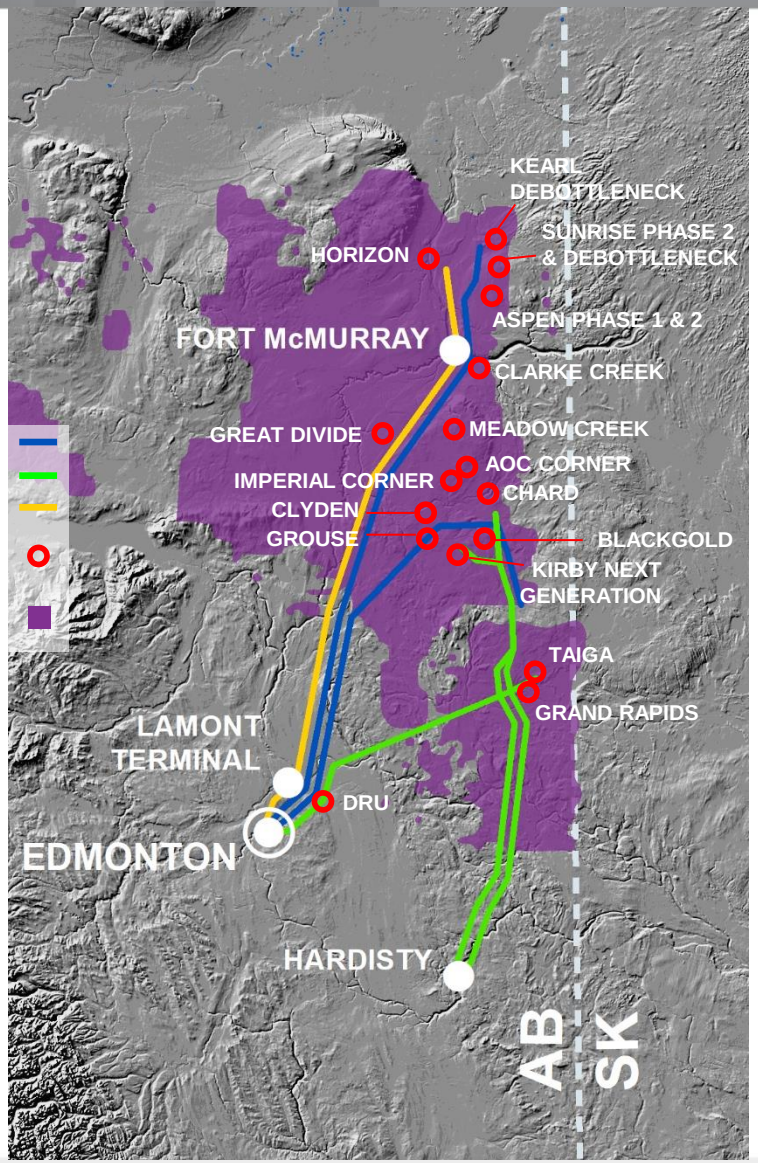
# CENTRAL ALBERTA PIPELINE SYSTEM EXPANSION




- **Successfully completed ~$180 million multi-phase expansion during 2020 on time and within budget**
  - ✓ Stettler station expansion included product batching, as well as additional truck unloading and storage capacity
  - ✓ Viking Connector pipeline provides BRPL shippers access to the Edmonton market
  - ✓ Fee-based EBITDA with upside from midstream marketing activities
- **Future phases of development identified**
  - ✓ Pipeline expansion into the Three Hills region of the East Duvernay
  - ✓ Potential for mainline expansion

# OIL SANDS GROWTH OPPORTUNITIES

Polaris Pipeline
Cold Lake Pipeline
Corridor Pipeline
Diluent and / or Bitumen Blend
Athabasca Oil Sands




- **Identified ~$2.7 billion of long-term growth opportunities**
  - ✓ Over 2.3 million b/d of available capacity that can be marketed across all three systems
  - ✓ Well-positioned to accommodate both small-and large-scale projects
  - ✓ Able to provide customers less regulatory, capital and schedule risk
- **Proven overbuild strategy**
  - ✓ 11 bolt-on connections executed and over $580 million of capital deployed
  - ✓ Average EBITDA multiple of ~3.2x

# FINANCIAL OVERVIEW

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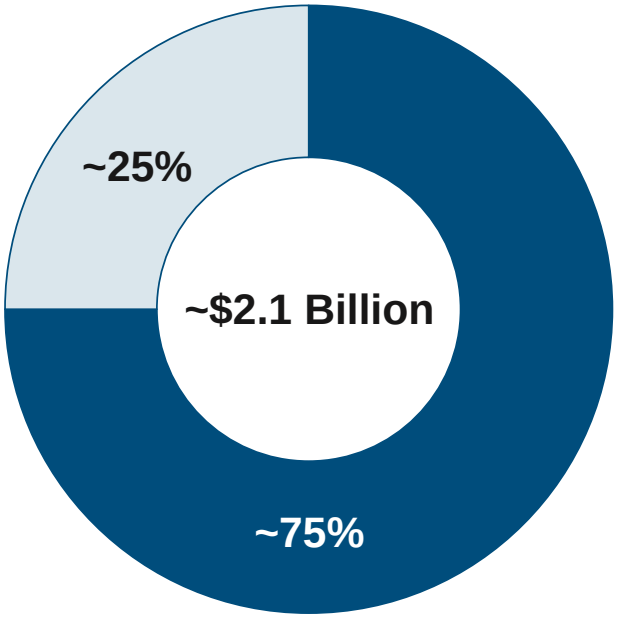
# CREDIT STRENGTH

**Canadian Revenue FY 2020**



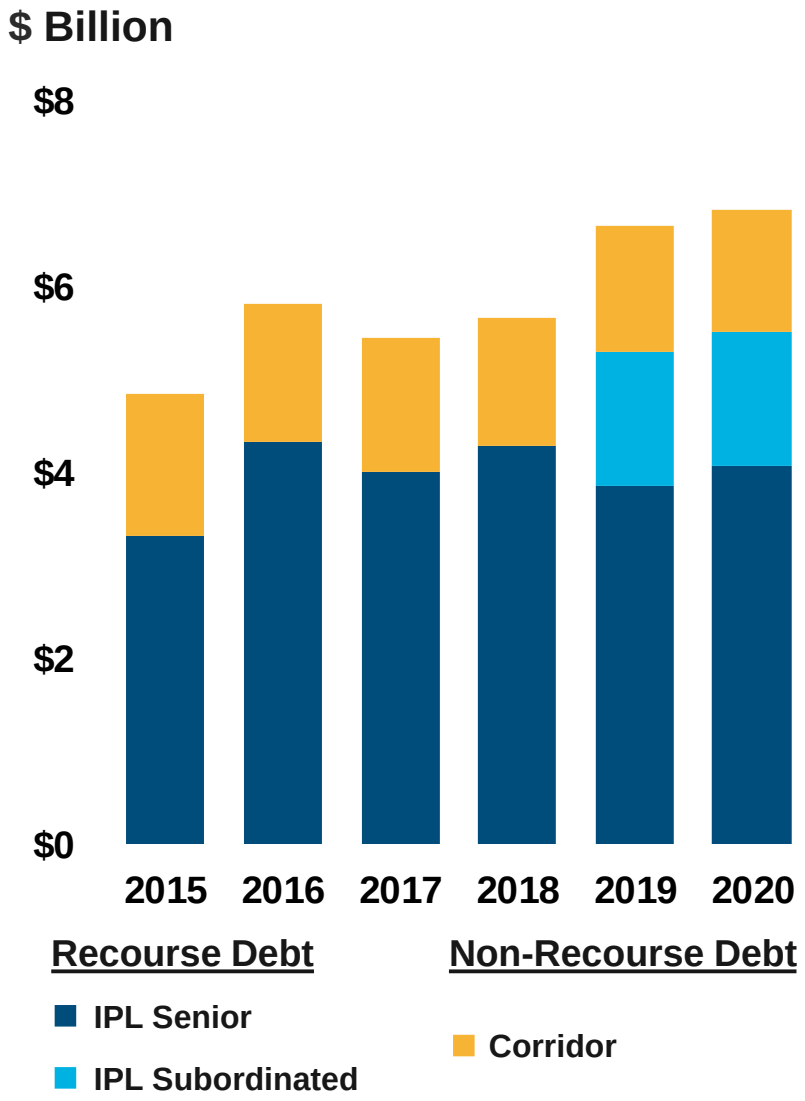

- **Investment Grade**
- **Non-Investment Grade**

- **Resilient and diversified customer base**
  - ✓ Top 10 customers represent over 70% of revenue, of which ~85% is investment grade
  - ✓ Approximately 97% of oil sands revenue is sourced from investment grade customers
- **Actively-managed credit program**
  - ✓ Dedicated team of experienced credit professionals
  - ✓ Credit enhancements may be required from non-investment grade entities, including letters of credit, parental guarantees or prepayments
  - ✓ No material credit losses or customer defaults through various industry cycles

**Majority of revenue is sourced from investment grade counterparties**

Based on Canadian revenue and credit ratings as at February 2021; includes investment grade counterparties or counterparties where there are contractual rights to obtain a guarantee from an investment grade parent; credit enhancements have not been included

# CAPITAL STRUCTURE




- **Target capital structure of 50% to 55% sr. recourse debt to total capitalization**
  - ✓ Strong ratio of 42%*, well below our credit facility covenant of 65%
- **$1.3 billion of consolidated debt is non-recourse to IPL**
  - ✓ Corridor pipeline system has its own capital structure and credit ratings
  - ✓ Flow through of interest costs to shippers
  - ✓ IPL bank covenants and credit rating metrics exclude non-recourse debt
- **$1.45 billion of subordinated hybrid notes**
  - ✓ Receive 50% equity treatment by credit rating agencies

*As at December 31, 2020

# ENVIRONMENT, SOCIAL AND GOVERNANCE

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# GOVERNANCE

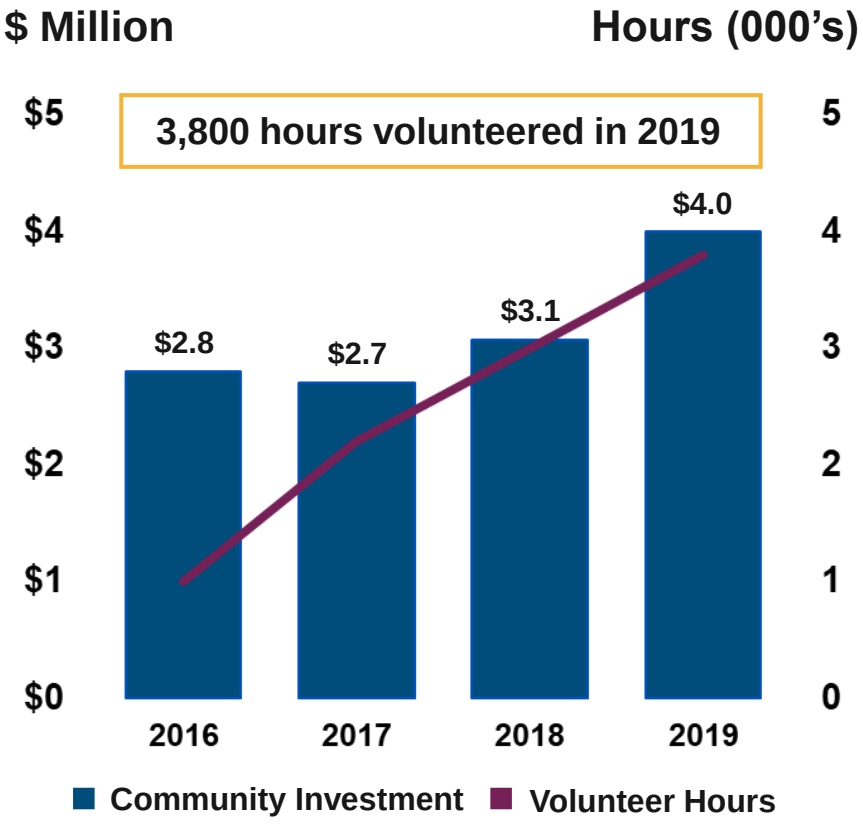

- **Commitment to sustainable practices and operational excellence**
  - ✓ Issued second sustainability report in accordance with SASB, GRI and TCFD frameworks
  - ✓ Sustainability Steering Committee comprised of CEO and senior management
- **Strong corporate governance**
  - ✓ All directors independent, excluding CEO
  - ✓ Over 35% female representation on the board of directors
  - ✓ Five new directors appointed since 2018, adding a mix of new perspective and petrochemical experience

# ENVIRONMENT


- **Offgas facilities process waste gas from oil sands upgraders**
  - ✓ Remove ~315,000 tonnes of GHG and sulphur dioxide emissions per year
- **HPC-produced PP is expected to have a low GHG emissions profile**
  - ✓ PP is a fully recyclable plastic
  - ✓ GHG footprint ~65% lower than the global average and ~35% lower than the North American average*
  - ✓ By-product hydrogen produced at HPC can be used as fuel gas, reducing GHG emissions by ~130,000 tonnes per year
- **Safety is a top priority**
  - ✓ 99.99% pipeline delivery rate
  - ✓ Achieved eight million hours worked without an employee lost-time accident**

*Source: IHS Markit Materials
**For Canadian operations as at January 15, 2021

# SOCIAL

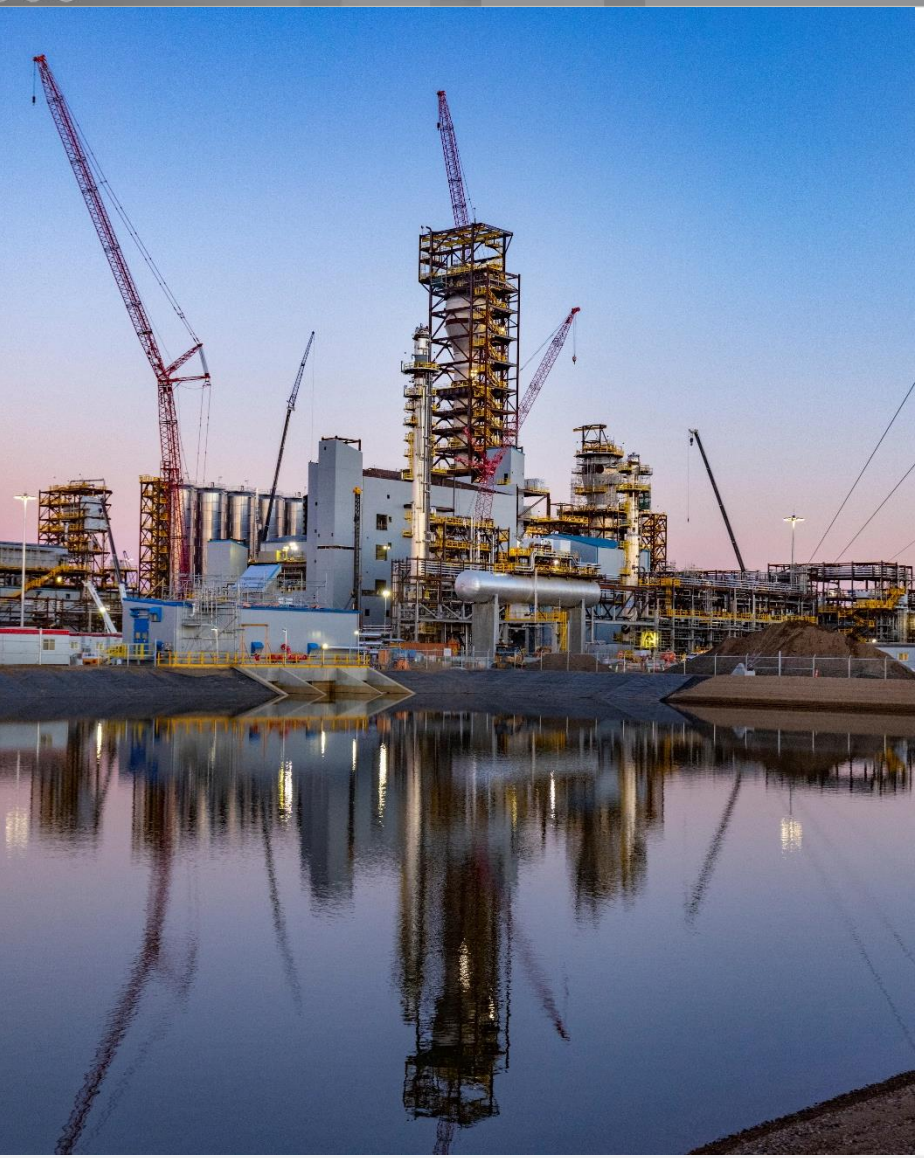



Ten-year, $10 million partnership with NAIT* to research plastic waste reduction and support the reuse and recycling of plastic

- **Commitment to diversity and inclusion**
  - ✓ Pledged support to BlackNorth initiative
- **Meaningful interactions with key stakeholders**
  - ✓ Indigenous Affairs, Code of Ethics, and Stakeholder Relations policies
  - ✓ Fort McKay First Nation Joint Venture
- **During HPC construction ~$3 billion to be invested in the Alberta economy**
  - ✓ Approximately 16,000 direct and indirect jobs during construction and ~200 full-time jobs once HPC is fully operational
- **Mental health recognized as part of safety culture**

*Northern Alberta Institute of Technology

# LOOKING FORWARD



- **Self-funded equity model, with significant liquidity available on $2.5 billion of committed credit facilities**
- **Focus on maintaining financial flexibility**
- **Continuing to progress construction and commercial underpinning of HPC**
- **Diversified asset portfolio expected to generate long-term and predictable cash flow**
- **Objective to deliver a meaningful and sustainable dividend to shareholders**

# HPC SITE

Photo taken Q4 2020

# CONTACT INFORMATION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