



# Third quarter 2020 conference call

November 10, 2020



# Third quarter 2020 conference call

---

**Nathan Brown, President**

**Janine Watson, VP and General Manager**

**Chuck Morris, VP, PFO and Treasurer**

**Rhonda Amundson, Investor Relations**



# Forward looking information and non-GAAP measures

---

This presentation may include forward-looking statements regarding future events and the future financial performance of TC PipeLines, LP. Words such as “believes,” “expects,” “intends,” “forecasts,” “projects,” and similar expressions identify forward-looking statements. All forward-looking statements are based on the Partnership’s current beliefs as well as assumptions made by and information currently available to the Partnership. These statements reflect the Partnership’s current views with respect to future events. The Partnership assumes no obligation to update any such forward-looking statement to reflect events or circumstances occurring after the date hereof. Important factors that could cause actual results to materially differ from the Partnership’s current expectations include the impact of potential impairment charges, decreases in demand on our pipeline systems, increases in operating and compliance costs, the outcome of rate proceedings, the impact of recently issued and future accounting updates and other changes in accounting policies, potential changes in the taxation of MLP investments by state or federal governments such as the elimination of pass-through taxation or tax deferred distributions, our ability to identify and complete expansion and growth opportunities, operating hazards beyond our control, the impact of a potential slowdown in construction activities or delay in completion of our capital projects including increase in costs and availability of labor, equipment and materials, the impact of downward changes in oil and natural gas prices, including any effects on the creditworthiness of our shippers or the availability of natural gas in a low oil price environment, uncertainty surrounding the impact of global health crises that reduce commercial and economic activity, including the recent outbreak of the COVID-19 virus, the potential impact on our business and our ability to access debt and equity markets that negatively impacts the Partnership’s ability to finance its capital spending, and other risks inherent in an investment in us as discussed in the Partnership’s filings with the Securities and Exchange Commission, including the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2019, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

We use the non-GAAP financial measures “EBITDA”, “Adjusted EBITDA” and “Distributable cash flow” as a supplement to our GAAP financial statements. “EBITDA” and “Adjusted EBITDA” are approximate measures of our operating cash flow during the current earnings period and “Distributable cash flow” provides a measure of distributable cash generated during the current earnings period. These measures are performance measures presented to assist investors in the evaluation of our business performance. We believe these measures provide additional meaningful information in evaluating our financial performance and cash generating capacity. These non-GAAP financial measures are provided as a supplement to GAAP financial results and are not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. The reconciliations of these measures to the most directly comparable GAAP measure, Net Income, are available on our website under the supplemental schedules published as part of our quarterly earnings releases. These measures do not have any standardized meaning prescribed by GAAP. They are, therefore, considered to be non-GAAP measures and are unlikely to be comparable to similarly titled measures presented by other entities.

# Third quarter highlights

---

## **Continued to reliably deliver essential energy services**

- Business continuity plans remain in place with a focus on health and safety in light of the COVID-19 pandemic

## **Generated solid third quarter results**

- Net income attributable to controlling interests of \$65 million
- Adjusted EBITDA of \$117 million and distributable cash flow of \$36 million
- Cash distributions of \$47 million including \$1 million to GP or \$0.65 per common unit paid
- Declared 2020 third quarter cash distribution of \$0.65 per common unit

## **Progressed construction activities on our organic growth projects across our portfolio – GTN, Tuscarora and PNGTS**

## **Completed financing at PNGTS to repay revolver borrowings and to establish funding for remaining capital requirements of existing expansion projects**

## **Credit ratings for the Partnership reaffirmed at BBB/Stable by S&P and Baa2/Stable by Moody's and outlook for Northern Border upgraded to BBB+/Positive – Partnership outlook revised to Creditwatch Positive by S&P in early October**

## **Strong metrics and liquidity in volatile markets**

## **Committed to responsible environmental, social and governance practices**

***Outlook largely unchanged as a result of our low-risk business model***

# Commercial update

## Continued solid operations across our asset portfolio during the current period

- Overall steady results on all of our pipelines

## Expect consistent performance going forward

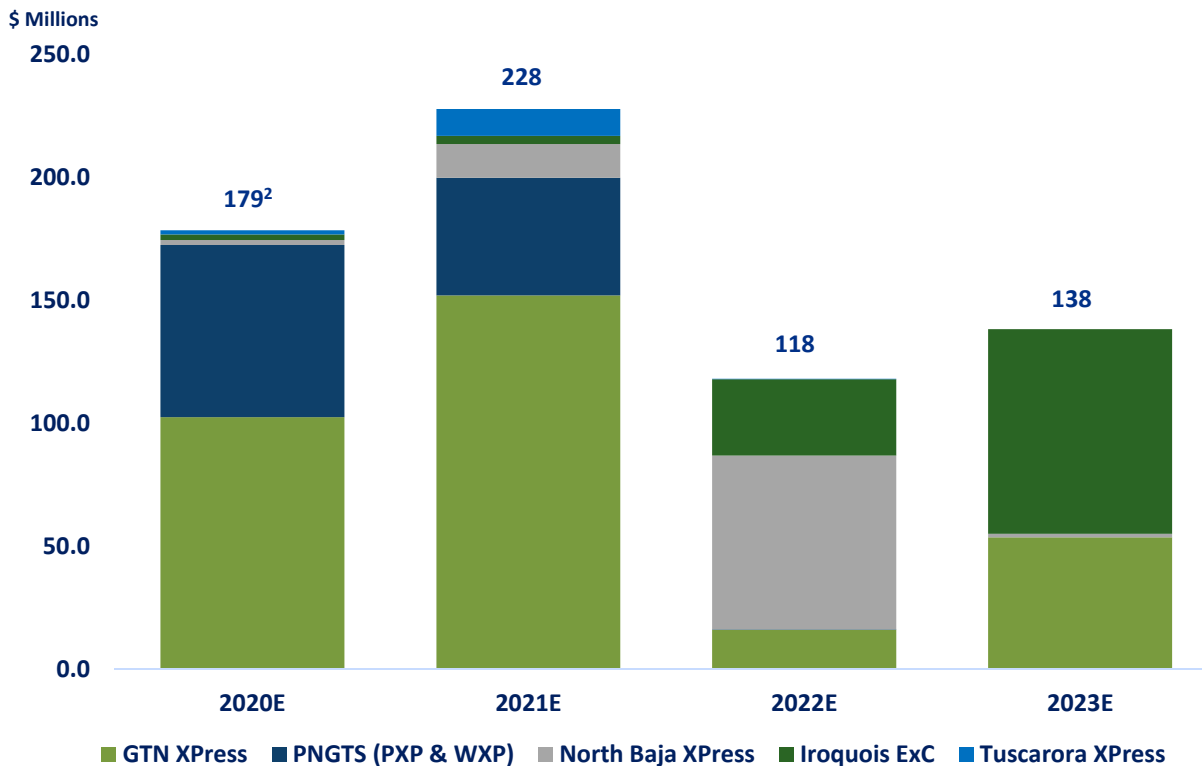
- High contract levels and ongoing market demand for natural gas transportation from prolific supply basins
- Robust utilization rates on our operating pipelines
- Our assets continue to be critical conduits linking natural gas production from competitive low-cost supply basins to essential North American market demand centers

**PXP Phase III commercially in-service on November 1**

*Stable and growing operations*



# Project update and capital expenditure outlook<sup>1</sup>



- Capex will be funded through asset level debt and TC PipeLines contributions
- TC PipeLines has the capacity to make contributions from cash from operations and our revolving senior credit facility – no new equity issuances are anticipated
- In 2020, we also expect to invest approximately \$151 million into maintenance of existing assets<sup>3</sup>. All capex, including maintenance, is expected to be recovered through fixed negotiated rate contracts and/or recourse rates over time

<sup>1</sup> Estimated as at September 30, 2020 and exclusive of AFUDC; values represent TC PipeLines' proportionate share of estimated capex based on ownership and are subject to change as projects are developed. All projects are subject to customary regulatory approvals, North Baja XPress is also subject to shipper Final Investment Decision and Iroquois ExC is subject to certain other additional approvals.

<sup>2</sup> Estimated growth capex in 2020 includes \$102 million related to Phase I costs of GTN XPress and excludes capex for smaller projects across our portfolio of assets.

<sup>3</sup> Represents TC PipeLines' proportionate share of total expected maintenance capex in 2020 of \$203 million.

# Third quarter 2020 financial results

(unaudited, millions of dollars except per common unit amounts)

	Three months ended	
	2020	30-Sep 2019
Net income	68	59
Net income attributable to controlling interests	65	56
Net income per common unit – basic and diluted <sup>(a)</sup>	\$0.90	\$0.76
EBITDA <sup>(b)</sup>	118	100
Adjusted EBITDA <sup>(b)</sup>	117	125
Cash distributions paid	(47)	(47)
Class B distributions paid	-	-
Distributable cash flow <sup>(b)</sup>	36	78
Cash distributions declared per common unit	\$0.65	\$0.65
Weighted average common units outstanding (millions)	71.3	71.3
Common units outstanding, end of period (millions)	71.3	71.3

(a) Net income per common unit is computed by dividing net income attributable to controlling interests, after deduction of net income attributable to TC PipeLines GP, Inc. (the General Partner), by the weighted average number of common units outstanding.

(b) EBITDA, Adjusted EBITDA and Distributable cash flow are non-GAAP financial measures. The reconciliations of these measures to the comparable GAAP measures are available on our website under the supplemental schedules published as part of our third quarter earnings release. Beginning in Q1 2020, we redefined Adjusted EBITDA to equal EBITDA less (1) earnings from our equity investments, plus (2) distributions from our equity investments, and plus or minus (3) certain non-recurring items (if any) that are significant but not reflective of our underlying operations.

# Third quarter 2020 financial results

(unaudited, millions of dollars)

	Three months ended	
	30-Sep	
	2020	2019
Transmission revenues	99	93
Equity earnings	39	31
Operating, maintenance and administrative	(24)	(26)
Depreciation and amortization	(29)	(19)
Financial charges and other	(17)	(20)
Net income	68	59
Net income attributable to non-controlling interests	3	3
Net income attributable to controlling interests	65	56



## TC PipeLines, LP – Key takeaways

<b>Strong balance sheet</b>	<ul style="list-style-type: none"> <li>✓ Solid capital structure indicative of quality assets within portfolio</li> <li>✓ Strong liquidity position with full access to \$500 million revolving credit facility</li> <li>✓ Investment-grade credit ratings by both S&amp;P and Moody's</li> <li>✓ S&amp;P and Moody's recently reaffirmed credit ratings at BBB/Stable and Baa2/Stable, respectively, with S&amp;P revising outlook to "Creditwatch Positive" in early October</li> <li>✓ S&amp;P upgraded Northern Border's outlook to BBB+/Positive from BBB+/Stable</li> </ul>
<b>Self-funding growth</b>	<ul style="list-style-type: none"> <li>✓ Bank leverage ratio approximately 3.8 times</li> <li>✓ Conservative leverage creates capacity to self-fund future growth</li> <li>✓ Funding in place for organic growth projects at GTN and PNGTS</li> </ul>
<b>Prudent distribution level</b>	<ul style="list-style-type: none"> <li>✓ Distribution maintained in Q3 of 2020</li> </ul>
<b>Distribution coverage</b>	<ul style="list-style-type: none"> <li>✓ Coverage of 0.8 times for third quarter 2020, impacted by one-time maintenance capital</li> </ul>
<b>Executing growth program</b>	<ul style="list-style-type: none"> <li>✓ Continued work on GTN XPress and Tuscarora XPress projects</li> <li>✓ Portland XPress Phase III in-service on November 1, 2020</li> <li>✓ PNGTS' Westbrook XPress project continued to advance on-time and on-budget</li> </ul>
<b>New opportunities</b>	<ul style="list-style-type: none"> <li>✓ Sourcing new expansion opportunities</li> <li>✓ North Baja XPress, Iroquois ExC and other potential near-term projects</li> </ul>

***Long-term take-or-pay contracts underpin our healthy financial metrics***  
***Well positioned to self-fund growth***

## Question & answer period



**Nathan Brown**  
President



**Janine Watson**  
VP and General Manager



**Chuck Morris**  
VP, PFO and Treasurer



**Rhonda Amundson**  
Investor Relations



# Third quarter 2020 conference call

November 10, 2020

