



January 2019

SemGroup and KKR Form Canadian Joint Venture and Acquire Meritage Midstream ULC

Non-GAAP Financial Measures

SemGroup's non-GAAP measures, Adjusted EBITDA, Cash Available for Dividends (CAFD) and Total Segment Profit, are not GAAP measures and are not intended to be used in lieu of GAAP presentation of their most closely associated GAAP measures, net income (loss) for Adjusted EBITDA and CAFD and operating income for Total Segment Profit.

Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, adjusted for selected items that SemGroup believes impact the comparability of financial results between reporting periods. In addition to non-cash items, we have selected items for adjustment to EBITDA which management feels decrease the comparability of our results among periods. These items are identified as those which are generally outside of the results of day to day operations of the business. These items are not considered non-recurring, infrequent or unusual, but do erode comparability among periods in which they occur with periods in which they do not occur or occur to a greater or lesser degree. Historically, we have selected items such as gains on the sale of NGL Energy Partners LP common units, costs related to our predecessor's bankruptcy, significant business development related costs, significant legal settlements, severance and other similar costs. Management believes these types of items can make comparability of the results of day to day operations among periods difficult and have chosen to remove these items from our Adjusted EBITDA. We expect to adjust for similar types of items in the future. Although we present selected items that we consider in evaluating our performance, you should be aware that the items presented do not represent all items that affect comparability between the periods presented. Variations in our operating results are also caused by changes in volumes, prices, mechanical interruptions and numerous other factors. We do not adjust for these types of variances.

CAFD is based on Adjusted EBITDA, as defined above, and reduced for cash income taxes, cash interest expense, preferred stock cash dividends and maintenance capital expenditures, as adjusted for selected items which management feels decrease the comparability of results among periods. CAFD is a performance measure utilized by management to analyze our performance after the payment of cash taxes, servicing debt obligations and making sustaining capital expenditures.

Total Segment Profit represents revenue, less cost of products sold (exclusive of depreciation and amortization) and operating expenses, plus equity earnings and is adjusted to remove unrealized gains and losses on commodity derivatives and to reflect equity earnings on an EBITDA basis. Reflecting equity earnings on an EBITDA basis is achieved by adjusting equity earnings to exclude our percentage of interest, taxes, depreciation and amortization from equity earnings for operated equity method investees. For our investment in NGL Energy, we exclude equity earnings and include cash distributions received. Segment profit is the measure by which management assess the performance of our reportable segments.

These measures may be used periodically by management when discussing our financial results with investors and analysts and are presented as management believes they provide additional information and metrics relative to the performance of our businesses. These non-GAAP financial measures have important limitations as analytical tools because they exclude some, but not all, items that affect the most directly comparable GAAP financial measures. You should not consider non-GAAP measures in isolation or as substitutes for analysis of our results as reported under GAAP. Management compensates for the limitations of our non-GAAP measures as analytical tools by reviewing the comparable GAAP measures, understanding the differences between the non-GAAP measure and the most comparable GAAP measure and incorporating this knowledge into its decision-making processes. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating our operating results. Because all companies do not use identical calculations, our presentations of non-GAAP measures may be different from similarly titled measures of other companies, thereby diminishing their utility.

SemGroup does not provide guidance for net income, the GAAP financial measure most directly comparable to the non-GAAP financial measure Adjusted EBITDA, because Net Income includes items such as unrealized gains or losses on derivative activities or similar items which, because of their nature, cannot be accurately forecasted. We do not expect that such amounts would be significant to Adjusted EBITDA as they are largely non-cash items.

Forward-Looking Information

Certain matters contained in this presentation include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical fact, included in this presentation may constitute forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include the possibility that the conditions to the closing of the pending transactions described herein (the Transactions), including the conditions related to obtaining regulatory approvals, may not be satisfied in a timely manner or at all, that if such conditions are not satisfied, they may not be waived, and that the Transactions may not be completed on the terms currently contemplated or at all; the failure to realize the anticipated benefits of the Transactions, assuming they are completed; and the risk factors discussed from time to time in each of SemGroup’s documents and reports filed with the SEC. Readers are cautioned not to place undue reliance on any forward-looking statements contained in this presentation, which reflect management’s opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements.

Transaction Details

JV Transaction Overview

- ▶ SemGroup and KKR to form Canadian joint venture, SemCAMS Midstream ULC
- ▶ SemGroup to have controlling interest and operatorship
- ▶ SemGroup to contribute SemCAMS shares/assets valued at C\$1.15 billion (US\$860 million) for:
 - 51% of JV
 - C\$615 million (US\$460 million) of cash proceeds
- ▶ KKR to contribute C\$515 million (US\$385 million) in cash for 49% of JV
- ▶ JV capital structure enhanced by:
 - Issuance of C\$300 million (US\$224 million) in perpetual preferred shares to KKR
 - C\$800 million (US\$598 million) underwritten bank credit facility

Acquisition of Meritage

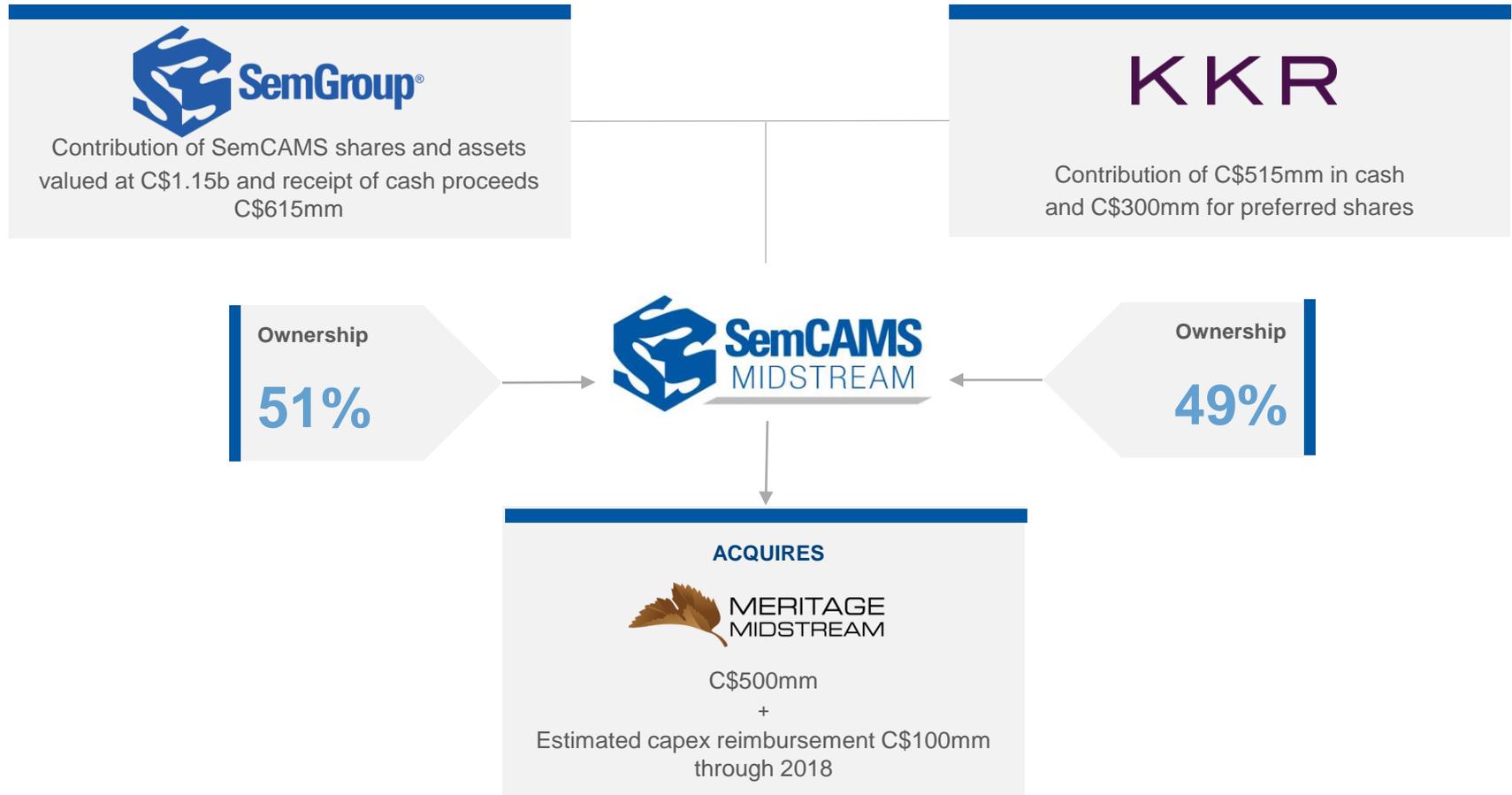
- ▶ SemCAMS Midstream to acquire Meritage Midstream ULC for C\$500 million (US\$374 million) plus an estimated capex reimbursement of C\$100 million (US\$75 million) through 2018
- ▶ Meritage assets strategically located within the liquids-rich Montney play
- ▶ Total natural gas processing capacity of 195 mmcf/d, growing to ~400 mmcf/d by 3Q 2019
- ▶ Transaction accelerates SemGroup's Canadian strategy
- ▶ Enhances SemCAMS footprint and broadens midstream service offerings

Closing

- ▶ Expected close 1Q 2019, subject to customary regulatory approvals and closing conditions

Transaction Overview

SemGroup and KKR Create SemCAMS Midstream ULC and Acquire Meritage Midstream ULC and its Midstream Infrastructure Assets



SemCAMS Midstream Ownership & Financing

JV Ownership Structure



	SemGroup	KKR
Common Shares	51%	49%
KKR Perpetual Preferred Shares	N/A	Dividend of 8.75% PIK option: first 10 quarters

- ▶ KKR to invest C\$300 million (US\$224 million) in SemCAMS Midstream perpetual preferred shares
- ▶ Until mid-2021, preferred share dividends may be paid-in-kind in the form of additional preferred shares at SemCAMS Midstream's option
- ▶ Distributions paid pro rata based on ownership percentage of common shares
- ▶ Potential IPO in 12 to 36 months, pending market conditions

JV Debt Financing

Term Loan A	Revolving Credit Facility
<ul style="list-style-type: none"> ▶ C\$350 million (US\$262 million) amortizing term loan ▶ Finance purchase of Meritage Midstream 	<ul style="list-style-type: none"> ▶ C\$450 million (US\$336 million) ▶ Finance growth projects and day-to-day operations

- ▶ Underwritten committed financing from syndicate of banks
- ▶ SemCAMS Midstream debt facilities non-recourse to SemGroup
- ▶ Growth projects funded by debt facilities, operating cash flow and potential future equity infusion, including an IPO
- ▶ JV targeting 3.0x to 3.5x leverage

SemCAMS Midstream Capital Structure

\$MM

Assets		
	\$CAD	\$USD
SemCAMS Valuation	\$1,150	\$860
Meritage Valuation	\$600	\$449
Total Assets	\$1,750	\$1,308

Cap Structure		
	\$CAD	\$USD
Common Equity - SemGroup	\$535	\$400
Common Equity - KKR	\$515	\$385
Preferred Equity	\$300	\$224
JV Term Loan	\$350	\$262
JV Revolver	\$50	\$37
Total Capital Structure	\$1,750	\$1,308

Cashback to SemGroup		
	\$CAD	\$USD
SemCAMS Valuation	\$1,150	\$860
less SemGroup Equity	(\$535)	(\$400)
Cash Proceeds to SemGroup	\$615	\$460

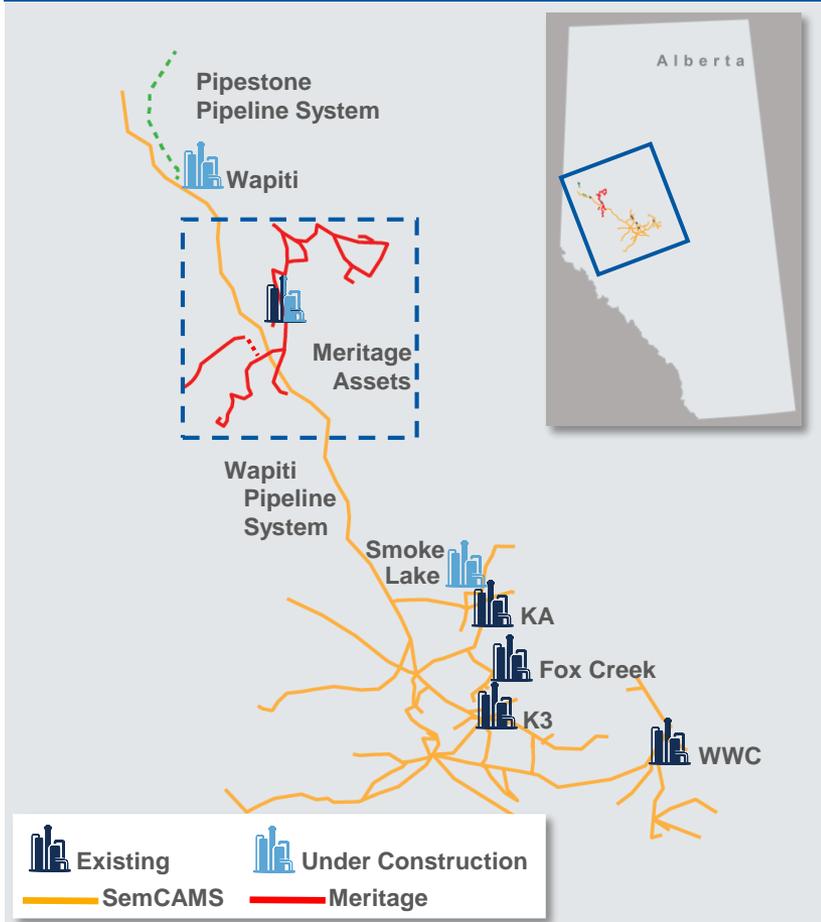
Common Equity Ownership		
	\$CAD	%
SemGroup Common Equity	\$535	51%
KKR Common Equity	\$515	49%
Total Common Equity	\$1,050	100%

Strategic Rationale

 Deleverages SemGroup ✓	Transactions strengthen SemGroup capital position
 Portfolio Strength ✓	SemCAMS and Meritage combined portfolios diversify customer base, broaden service offerings and expand processing capacity
 Optimization ✓	Contiguous asset mix creates opportunities for system optimization and operational synergies
 Growth Platform ✓	Expansive Canadian footprint with advantaged assets and stacked resource potential in prolific Montney play
 Industry Leading Partner ✓	KKR partnership provides strategic and financial benefits, enabling future growth

SemCAMS Midstream Primed for Optimization

Contiguous Assets Strategically Positioned



Pro Forma Gathering & Processing Assets

**1.3
Bcf/d**
Total
Operating
Capacity ⁽¹⁾

Operational Processing Capacity

- ▶ ~900 mmcf/d operational capacity
- ▶ 460 mmcf/d under construction

Operational Pipeline Capacity

- ▶ ~700 miles of natural gas pipelines
- ▶ ~60 miles of liquids pipelines

Growth Projects Under Construction

- ▶ Wapiti Plant - 200 mmcf/d (1Q 2019)
- ▶ Meritage Patterson Creek Plant Phase III - 200 mmcf/d (3Q 2019)
- ▶ Smoke Lake Plant - 60mmcf/d (4Q 2019)
- ▶ Pipestone Pipeline (4Q 2019)

Potential Growth Projects

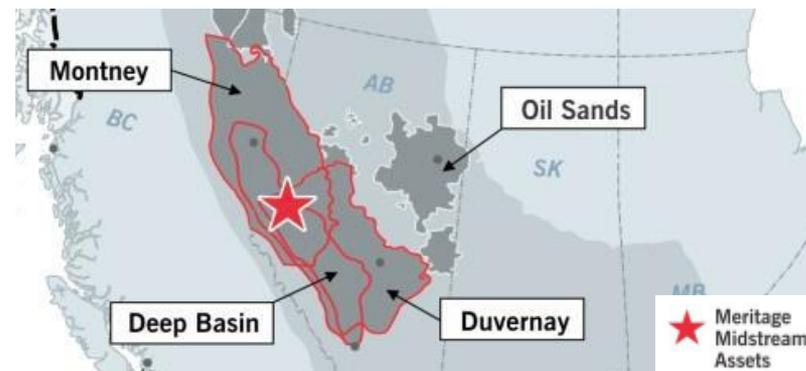
- ▶ Montney-to-Market NGL Pipeline (current open season)
- ▶ Meritage Patterson Creek Plant Phase IV Processing
- ▶ Pipestone Plant (regulatory permit received)

Meritage Midstream at a Glance

Meritage Midstream Overview

- ▶ **Assets located in prolific liquids-rich Montney play**
 - Situated in the Gold Creek and Karr regions
 - Basin is top quartile with highly competitive well economics
 - Producer IRR's ~30% - 50% on C\$50 Ed Par oil / C\$2 AECO
 - Significant stacked resource potential
- ▶ **Acreage Dedication & MVCs provide cash flow stability**
 - 400,000 acres dedicated
 - MVCs constitute ~31% of 2018E revenue
- ▶ **Existing 195 mmcf/d processing capacity to double**
 - Phase III Expansion under construction (estimated completion 3Q 2019)
 - Expansion adds 200 mmcf/d capacity
- ▶ **Producer development plans expected to support future growth of Meritage System**
- ▶ **Service offerings continue to expand as producers accelerate development**
 - Emulsion handling / central delivery batteries business rapidly growing in Western Canada
- ▶ **Largest producers are private equity sponsored E&P's highly incentivized to continue delineation of acreage and enhance value**

Meritage Portfolio Footprint



Meritage Assets Overview

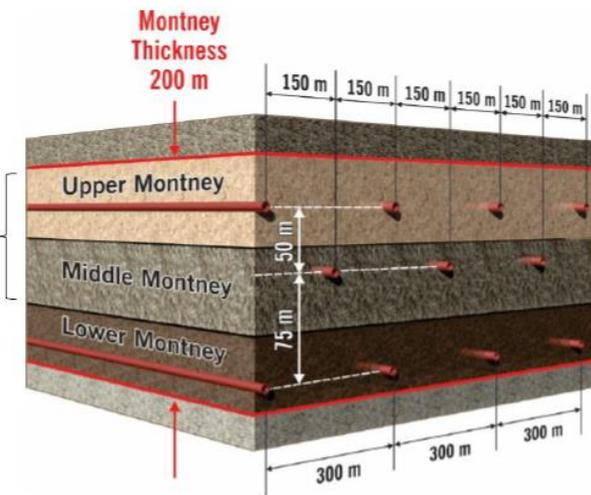
Gas Processing Capacity	Existing: 195 mmcf/d Under Construction: 200 mmcf/d ~3Q 2019
Miles of Pipelines	101 miles of gas gathering pipelines; 38 miles of oil gathering pipelines; 18 miles of emulsion and gas lift pipelines
Interconnects	Residue Gas: TCPL and Alliance Raw Gas: CNRL Oil: Pembina Peace Pipeline

Expanding Montney Opportunity

Meritage Development Area in Fairway of Gold Creek & Karr

Stacked Montney Play Sets the Stage

SIGNIFICANT INVENTORY	~ 5,000 Well Locations	<ul style="list-style-type: none"> ▶ Large scale development opportunity driven by low cost drilling and completion and liquids-rich rock delivering attractive returns
DERISKED VOLUME	400,000 Acreage Dedication	<ul style="list-style-type: none"> ▶ Attractive break-even cost and netbacks
	~25 DUC Well Inventory	<ul style="list-style-type: none"> ▶ Favorable upstream Canadian royalty framework, provides a meaningful netback advantage relative to US peers <ul style="list-style-type: none"> • 5-10% royalties in Canada vs 20-25% in US
	Liquids Focused	<ul style="list-style-type: none"> ▶ High condensate and light oil cut insulate producers from challenges in gas market
INCENTIVIZED PRODUCERS	Private Equity Backed	<ul style="list-style-type: none"> ▶ Growth-oriented counterparties
		<ul style="list-style-type: none"> ▶ Financial capacity to fund growth
		<ul style="list-style-type: none"> ▶ Industry leading private equity firms



Source: RBC Capital Markets

Key Takeaways



Deleveraging

Values SemCAMS at C\$1.15 billion (US\$860 million); transactions immediately **strengthen SemGroup capital position**



Portfolio Strength

Broadens SemCAMS portfolio, solidifying high-growth platform, **diversifying cash flows**



Optimization

Highly contiguous assets in top-tier Montney and Duvernay plays **optimize SemCAMS assets**



Growth Platform

Creates Canadian midstream infrastructure platform with **meaningful geographic footprint, advantaged assets**



Industry Leading Partner

Partnership with industry leading investor, **KKR provides strategic and financial benefits**

Q&A

