TERVITA

MANAGEMENT'S DISCUSSION & ANALYSIS

March 8, 2020

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") is a summary of the financial position and results of operations of Tervita Corporation ("Tervita", the "Company", "we", "our", "us" and similar expressions) for the three and twelve months ended December 31, 2019 and as compared to the three and twelve months ended December 31, 2018. This MD&A was approved by Tervita's Board of Directors on March 8, 2020 and includes information available up to that date.

This MD&A is a review of the financial results of Tervita, prepared in accordance with International Financial Reporting Standards ("IFRS"), which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A should be read in conjunction with our audited annual Consolidated Financial Statements and accompanying notes (the "Annual Financial Statements") for the years ended December 31, 2019 and 2018 and our Annual Information Form ("AIF") for the year ended December 31, 2019.

On July 19, 2018 (the "Acquisition Date"), Tervita completed an acquisition of Newalta Corporation ("Newalta") through a Plan of Arrangement (the "Arrangement"). The Financial Statements and MD&A include financial results in respect of the former Newalta business since the Acquisition Date, unless otherwise stated.

All financial information reflected herein is expressed in millions of Canadian dollars ("$" or "C$") unless otherwise stated. References to US$ mean United States dollars. Throughout this MD&A, "Q4" means the three months ended December 31 and "YTD" means the twelve months ended December 31.

This MD&A contains references to the following measures not in accordance with IFRS ("non-GAAP measures"): Adjusted EBITDA, Adjusted EBITDA Margin, Divisional EBITDA, Divisional EBITDA Margin, Discretionary Free Cash Flow, Net Debt to Adjusted EBITDA (LTM), Covenant EBITDA, and Adjusted Working Capital. Refer to the Non-GAAP Measures section for a full discussion on management's use of non-GAAP measures and their reconciliation to IFRS measures.

This MD&A contains forward-looking statements regarding Tervita and the industries in which we operate. Refer to the Forward-Looking Statements section for more information.

CHANGES TO COMPARATIVE FIGURES

Certain comparative information have been reclassified to conform to the MD&A presentation adopted for the current year. Comparative figures related to acquired entities pertain to the period after their acquisition date. In addition, in accordance with IFRS 3 "Business Combinations", certain 2018 comparative figures pertaining to Tervita's acquisition of Newalta have been retrospectively adjusted to reflect the finalized measurement period adjustments. The MD&A for the three and twelve months ended December 31, 2018 included the finalized Purchase Price Allocation ("PPA") related to Tervita's acquisition of Newalta, however, the MD&A for the three and nine months ended September 30, 2018 included provisional amounts based on the Company's best estimate at that time. The three months ended December 31, 2018 have been adjusted to move the accounting impact of the finalized PPA from the three months ended December 31, 2018 to September 30, 2018. These adjustments did not affect reported Divisional EBITDA or Adjusted EBITDA, and are as follows:

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018 Reported	PPA Adjustment	2018 Revised	**2019**	2018 Reported	PPA Adjustment	2018 Revised
Revenue	**591**	402	—	402	**2,323**	1,974	—	1,974
Operating expenses								
Direct expenses	**(521)**	(337)	—	(337)	**(2,045)**	(1,734)	—	(1,734)
General and administrative expenses	**(11)**	(15)	—	(15)	**(48)**	(50)	—	(50)
Depreciation and amortization	**(35)**	(32)	(1)	(33)	**(138)**	(96)	—	(96)
Restructuring costs	**—**	—	—	—	**(3)**	—	—	—
Impairment reversal (expense)	**(126)**	(25)	2	(23)	**(120)**	(25)	—	(25)
Operating profit (loss)	**(102)**	(7)	1	(6)	**(31)**	69	—	69
Finance costs	**(24)**	(21)	—	(21)	**(92)**	(69)	—	(69)
Transaction costs	**(2)**	(43)	40	(3)	**(8)**	(69)	—	(69)
Other income (expense)	**2**	(4)	1	(3)	**1**	(4)	—	(4)
Profit (loss) before tax	**(126)**	(75)	42	(33)	**(130)**	(73)	—	(73)

ABOUT TERVITA

Tervita is one of the largest waste and environmentally focused energy service providers in Canada. We primarily serve companies in the oil and gas industry, as well as the industrial and natural resource sectors, predominantly in Western Canada.

Tervita provides a broad and integrated array of services and environmental management solutions for customers, including: treatment, recovery, and disposal of solids and fluids used in, and generated by, oil and gas drilling, completions, production and reclamation/remediation activity; waste management; oil terminalling; energy marketing; metals recycling; equipment rental; demolition; and decommissioning. Our network of facilities as at December 31, 2019 consisted of 107 active waste processing, disposal, and industrial facilities, including: 47 treatment, recovery, and disposal facilities ("TRDs"); seven stand-alone disposal wells; three cavern disposal facilities; seven onsite facilities; 24 engineered landfills (which included 19 owned sites, two sites operated under contract, and three sites that we market under contract for other landfill operators); four transfer stations; one naturally occurring radioactive material facility; nine bio-remediation facilities; and five metals recycling facilities.

Tervita's activities are managed through five operating segments, which are aggregated in accordance with IFRS into two reporting segments: Energy Services and Industrial Services.

- **Energy Services** includes three service lines: facilities, energy marketing, and onsite. These service lines collectively provide many services to the oil and gas sector, including: treatment, recovery, and disposal of fluids; oil terminalling; energy marketing; processing and disposal of solid materials used in, and generated by, natural resource and industrial production; disposal of oilfield-generated waste; providing specialized onsite services using centrifugation or other processes for heavy-oil producers involved in mining and in-situ production; and supplying and operating drill site processing equipment, including solids control and drill cuttings management.
- **Industrial Services** provides comprehensive environmental solutions through four operating segments: waste services, metals recycling, rail services, and environmental services. The services provided by these operating segments include site remediation, facility decommissioning, water treatment, sludge and slurry management, bio-remediation and technologies, hazardous and non-hazardous waste management and disposal, emergency response, rail services, recycling services to oil and gas and other industrial companies, and waste transportation and classification. Recycling services include the purchase and processing of ferrous and non-ferrous metals recovered from demolition sites and other locations.

In addition to our two reporting segments, Tervita presents intersegment eliminations, general and administrative ("G&A") expenses, and other non-operating expenses as Corporate. G&A includes expenses for executive leadership, human resources, information technology, finance, accounting, business development, communications, legal, and regulatory.

FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Increase (Decrease)	% Change	**2019**	2018	Increase (Decrease)	% Change
Energy Services revenue								
Facilities revenue	**102**	109	(7)	*(6)%*	**399**	368	31	*8 %*
Onsite revenue	**15**	22	(7)	*(32)%*	**76**	43	33	*77 %*
Energy marketing revenue	**416**	208	208	*100 %*	**1,607**	1,337	270	*20 %*
	533	339	194	*57 %*	**2,082**	1,748	334	*19 %*
Industrial Services revenue	**60**	63	(3)	*(5)%*	**246**	231	15	*6 %*
Intersegment eliminations	**(2)**	—	(2)	*(100)%*	**(5)**	(5)	—	*— %*
Revenue	**591**	402	189	*47 %*	**2,323**	1,974	349	*18 %*
Revenue excluding energy marketing	**175**	194	(19)	*(10)%*	**716**	637	79	*12 %*
General and administrative expenses	**(11)**	(15)	(4)	*(27)%*	**(48)**	(50)	(2)	*(4)%*
Net profit (loss)	**(123)**	(33)	(90)	*(273)%*	**(116)**	(74)	(42)	*(57)%*
- per share ($), basic and diluted	**(1.07)**	(0.28)	(0.79)	*(282)%*	**(0.99)**	(0.67)	(0.32)	*(48)%*
Adjusted EBITDA [(1)]	**59**	50	9	*18 %*	**233**	191	42	*22 %*
- per share ($), basic and diluted	**0.51**	0.43	0.08	*19 %*	**2.00**	1.73	0.27	*16 %*
Adjusted EBITDA margin [(1)]	**34 %**	26 %	8 %		**33 %**	30 %	3 %	
Energy Services Divisional EBITDA[(1)]	**60**	58	2	*3 %*	**240**	212	28	*13 %*
Industrial Services Divisional EBITDA [(1)]	**10**	7	3	*43 %*	**39**	28	11	*39 %*
Divisional EBITDA [(1)]	**70**	65	5	*8 %*	**279**	240	39	*16 %*
Capital additions	**52**	32	20	*63 %*	**139**	83	56	*67 %*
Discretionary free cash flow [(1)]	**9**	(2)	11	*550 %*	**90**	79	11	*14 %*
Adjusted Working Capital [(1)]	**31**	78	(47)	*(60)%*	**31**	78	(47)	*(60)%*
Shares as at December 31 (000's of shares) [(2)]								
Shares outstanding	**114,355**	117,557	(3,202)	*(3)%*	**114,355**	117,557	(3,202)	*(3)%*
Weighted average shares - basic and diluted	**115,260**	117,557	(2,297)	*(2)%*	**116,732**	110,471	6,261	*6 %*

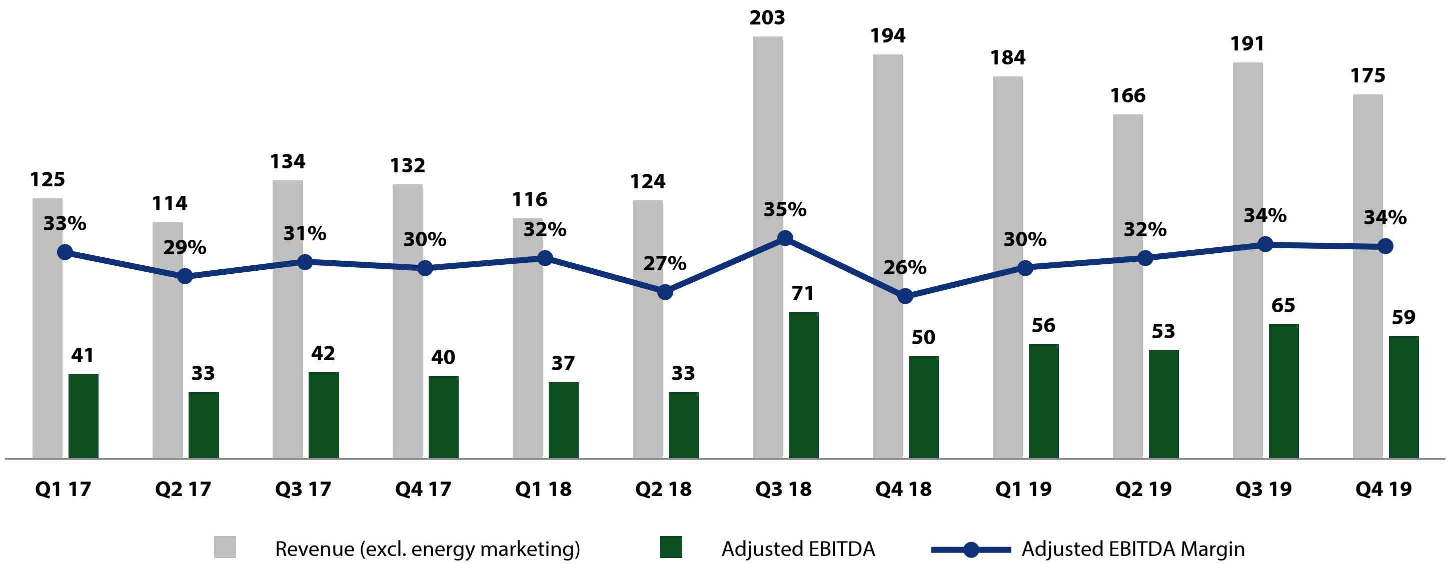
(1) Refer to the section Non-GAAP Measures for definitions and reconciliation.
(2) As at March 8, 2020, the Company had 113,276,432 common shares, 2,702,649 common share purchase warrants, and 2,471,730 stock options outstanding. Each common share purchase warrant and option outstanding is exercisable for a maximum of one common share.

INDUSTRY BENCHMARKS

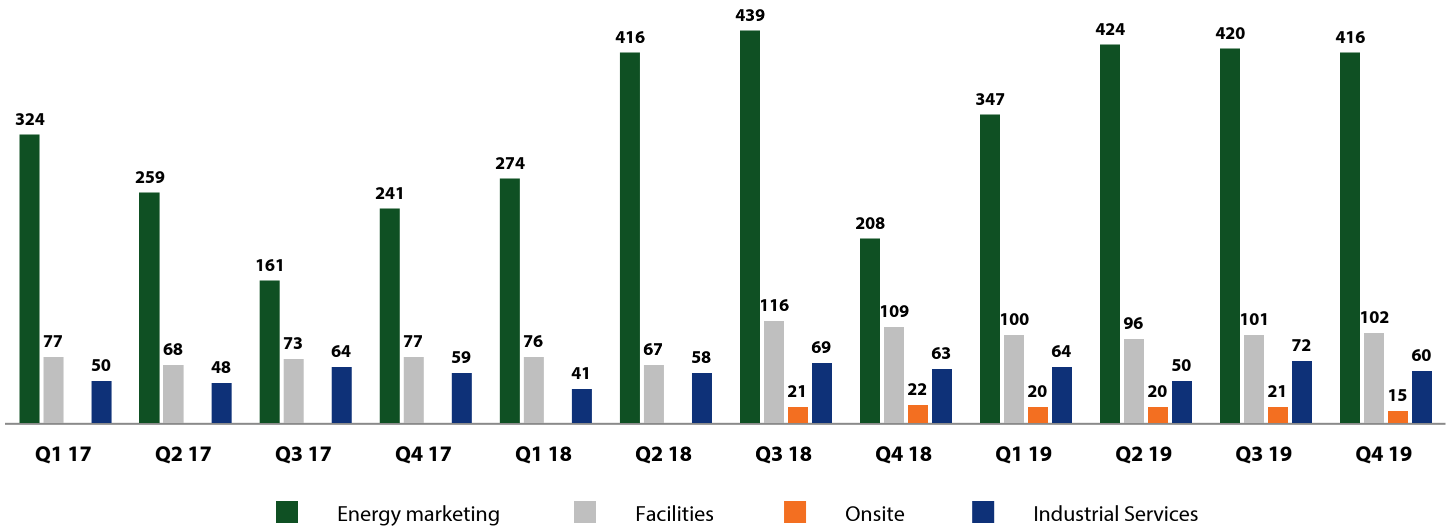
	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Increase (Decrease)	*% Change*	**2019**	2018	Increase (Decrease)	*% Change*
Average WTI (US$/bbl)[(1)]	**$ 56.85**	$ 58.79	$ (1.94)	*(3)%*	**$ 57.02**	$ 64.86	$ (7.84)	*(12)%*
Average Edmonton Mixed Sweet (US$/bbl)[(1)]	**$ 50.67**	$ 36.27	$ 14.40	*40 %*	**$ 52.05**	$ 53.41	$ (1.36)	*(3)%*
Average WCS (US$/bbl)[(1)]	**$ 37.94**	$ 25.48	$ 12.46	*49 %*	**$ 43.39**	$ 38.53	$ 4.86	*13 %*
Average AECO (C$/MMbtu)[(1)]	**$ 2.37**	$ 1.52	$ 0.85	*56 %*	**$ 1.69**	$ 1.44	$ 0.25	*17 %*
Average Oil Production (Mbbl/d) [(2)]	**4,480**	4,579	(99)	*(2)%*	**4,402**	4,762	(360)	*(8)%*
Average Gas Production (MMcf/d) [(2)]	**16,147**	16,097	50	*— %*	**15,828**	15,852	(24)	*— %*
Meters Drilled (000's of meters drilled) [(3)]	**3,690**	4,790	(1,100)	*(23)%*	**14,820**	19,420	(4,600)	*(24)%*
Wells Drilled [(4)]	**1,181**	1,682	(501)	*(30)%*	**4,995**	6,939	(1,944)	*(28)%*
Foreign Exchange Rate (US$/C$) [(5)]								
Period End	**$ 0.77**	$ 0.73	$ 0.04	*5 %*	**$ 0.77**	$ 0.73	$ 0.04	*5 %*
Period Average	**$ 0.76**	$ 0.76	$ —	*— %*	**$ 0.75**	$ 0.77	$ (0.02)	*(3)%*

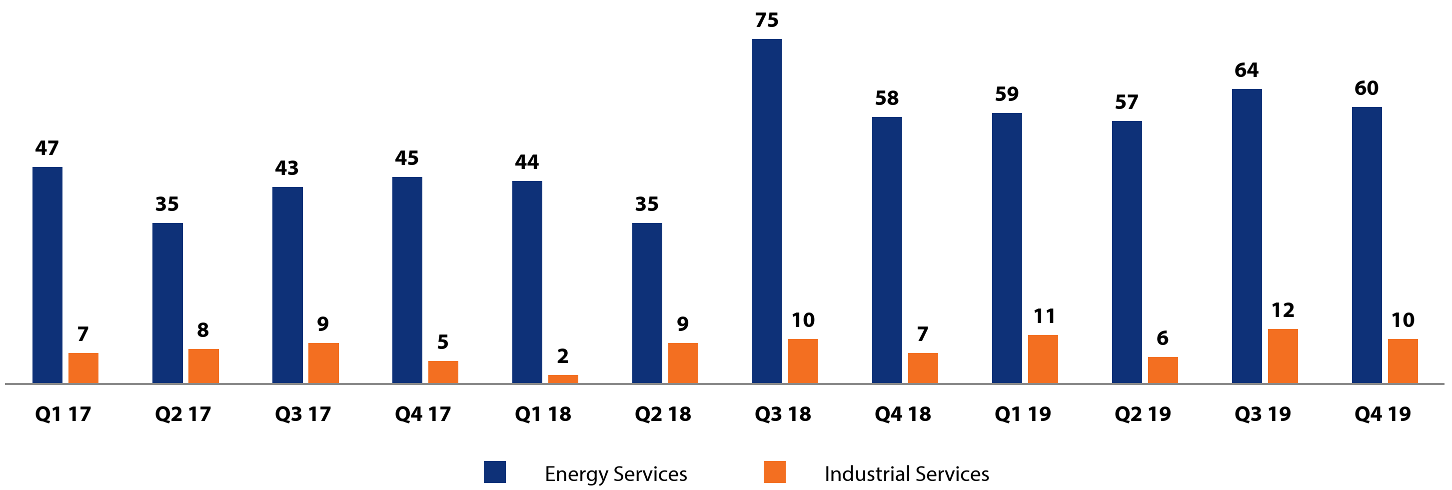
(1) Information from Bloomberg.
(2) Information from National Energy Board, Estimated Production of Canadian Crude Oil and Equivalent and Marketable Natural Gas Production in Canada.
(3) Information from JuneWarren-Nickle's Energy Group and pertains to Canada.
(4) Information for Daily Oil Bulletin and pertains to Canada
(5) Information from Bank of Canada.

Quarterly Revenue and Adjusted EBITDA



Revenue Before Intersegment Eliminations




Divisional EBITDA
47
7
35
8
43
9
45
5
44
2
35
9
75
10
58
7
59
11
57
6
64
12
60
10
Q1 17
Q2 17
Q3 17
Q4 17
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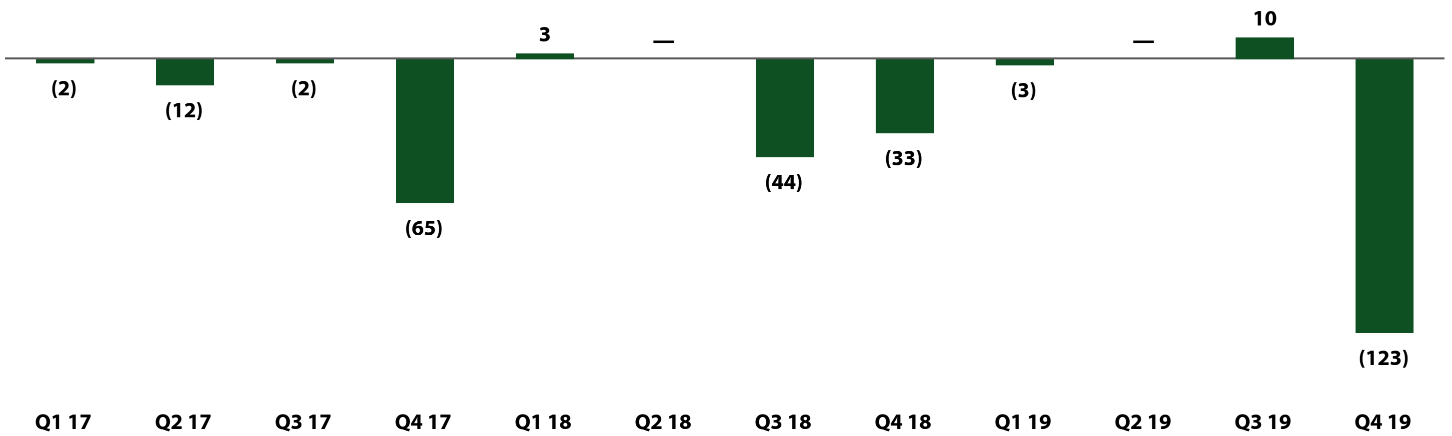
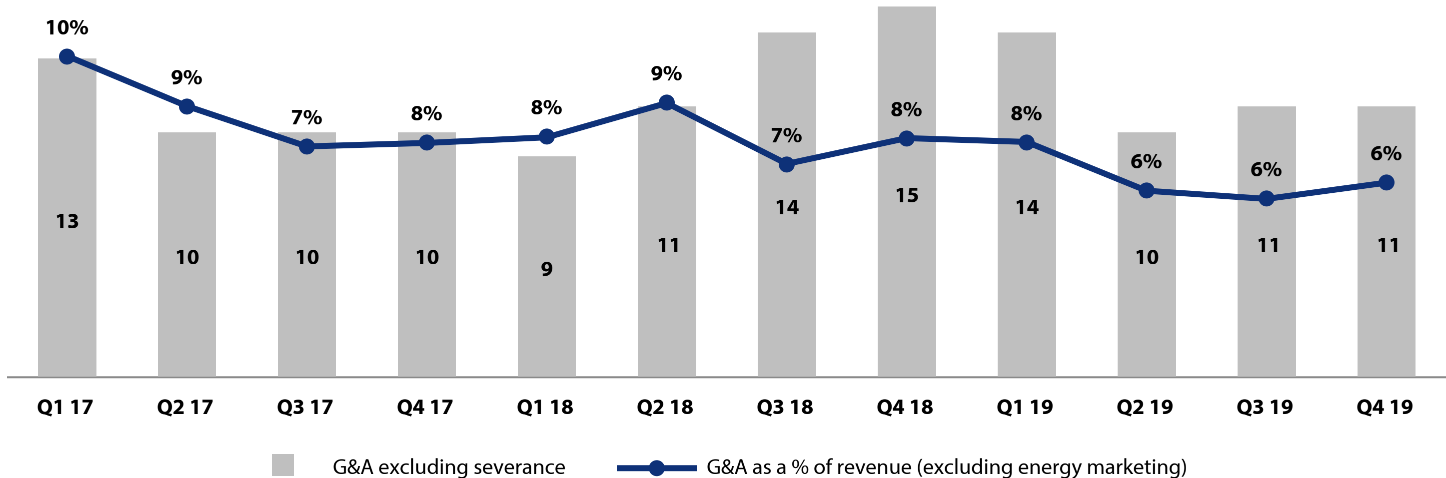
Q2 18
Q3 18
Q4 18
Q1 19
Q2 19
Q3 19
Q4 19
Energy Services
Industrial Services


Net Profit (Loss)
(2)
(12)
(2)
(65)
3
—
(44)
(33)
(3)
—
10
(123)
Q1 17
Q2 17
Q3 17
Q4 17
Q1 18
Q2 18
Q3 18
Q4 18
Q1 19
Q2 19
Q3 19
Q4 19


G&A (Excluding Severance) as a % of Revenue
10%
9%
7%
8%
8%
9%
7%
8%
8%
6%
6%
6%
13
10
10
10
9
11
14
15
14
10
11
11
Q1 17
Q2 17
Q3 17
Q4 17
Q1 18
Q2 18
Q3 18
Q4 18
Q1 19
Q2 19
Q3 19
Q4 19
G&A excluding severance
G&A as a % of revenue (excluding energy marketing)

FOURTH QUARTER RESULTS

Overview and Highlights

- Q4 2019 Adjusted EBITDA increased over the same period in 2018 despite industry activity declines, reflecting our focus on operational efficiencies, realized synergies from the acquisition of Newalta in 2018 and improved Canadian crude oil prices.
- Energy Services Divisional EBITDA Margin improved from 44% in Q4 2018 to 51% in Q4 2019 primarily due to stronger commodity prices, a focus on cost management and realized synergies, as well as one-time 2018 repair and maintenance costs for work completed at Newalta facilities.
- Industrial Services Divisional EBITDA increased by more than 40% over prior year, primarily driven by our continued focus on optimization and increased waste volumes into our facilities, despite reduced demand for steel and lower metals commodity pricing.
- Repurchased 1,432,018 common shares for $11 million under the Normal Course Issuer Bid ("NCIB") announced on May 2, 2019, and amended on December 5, 2019.

Q4 Revenue Increases 47% to $591 Million

- Revenue of $591 million increased by $189 million or 47% from the prior year, primarily due to the increase in marketed oil volumes from acquired Newalta facilities and improved commodity prices.
- Net Energy Services revenue of $117 million decreased $14 million from the prior year. Impacts of improved Canadian crude oil prices were more than offset by an 8% decrease in volumes throughout the facility network and the impact of lower drilling activity.
- Energy marketing revenue increased by 100% compared to the prior year due to favorable crude oil commodity prices combined with a 17% increase in marketed oil volumes, as we began marketing oil volumes from acquired Newalta facilities on January 1, 2019.
- Industrial Services revenue of $60 million was $3 million lower than Q4 2018 primarily driven by lower metals commodity pricing and reduced demand for steel.

Q4 Divisional EBITDA Increases by $5 Million or 8%

- Divisional EBITDA of $70 million increased $5 million or 8% over prior year, largely as a result of improved commodity prices and realized synergies from the Newalta transaction.
- Energy Services Divisional EBITDA of $60 million increased $2 million or 3% from Q4 2018, with synergies from the Newalta transaction and favorable crude oil commodity pricing, more than offsetting lower activity and volumes into our facilities.
- Industrial Services Divisional EBITDA of $10 million was $3 million or 43% higher than the prior year primarily driven by increased project margins combined with higher waste volumes at our waste services facilities, partially offset by the impact of lower metals commodity prices.

Q4 Adjusted EBITDA Increases by $9 Million or 18%

- Adjusted EBITDA of $59 million was a $9 million and 18% improvement from Q4 2018 reflecting increased Divisional EBITDA and a $4 million reduction to G&A expense which was primarily related to synergies realized from the acquisition of Newalta.
- Adjusted EBITDA Margin was 34%, an improvement of eight percentage points compared to prior year primarily due to synergies from the Newalta acquisition, stronger commodity prices and one-time expenses in Q4 2018 to bring acquired facilities onto Tervita's maintenance program.

Q4 Net Loss

- Net loss was $123 million in Q4 2019, compared to net loss of $33 million in the prior year, primarily due a $126 million impairment expense. This non-cash charge was for the write-down of specific assets within Energy Services, approximately 64% of which related to our drilling-based operations in the United States ("US") and Canada, and the remainder to closed or suspended facilities that no longer met our return expectations. These assets did not contribute materially to our 2019 Adjusted EBITDA.

Q4 Capital Additions

- Capital additions related to growth and expansion projects were $41 million in the quarter, and included the ongoing development of a new water disposal infrastructure project.
- Capital additions related to maintenance projects were $11 million, consistent with the prior year.

Q4 Discretionary Free Cash Flow

- Discretionary Free Cash Flow was $9 million, an $11 million increase from the prior year due to an increase in cash generated by our operations and proceeds from the disposal of long-lived assets.

FULL YEAR RESULTS

2019 Revenue Increases 18% to $2,323 Million

- Revenue of $2,323 million increased by $349 million over 2018. This 18% increase is primarily attributable to an 11% increase in production volumes through Energy Services facilities as compared to 2018.
- Marketed oil volumes in 2019 were 30% higher than 2018 primarily due to acquired facilities which drove a 20% increase in energy marketing revenue.
- Industrial Services revenue increased by 6% primarily due to higher volumes through waste services facilities and increased project activity in environmental services and rail services, partially offset by lower metals commodity pricing.

2019 Divisional EBITDA Increases by $39 Million or 16%

- Divisional EBITDA of $279 million was a $39 million increase over 2018.
- Energy Services Divisional EBITDA increased $28 million over 2018 to $240 million, driven primarily by our acquisition of Newalta and related synergies.
- Industrial Services Divisional EBITDA of $39 million was $11 million or 39% higher than 2018, primarily due to increased volumes through our waste facilities and our continued focus on optimization and cost management in the waste and environmental services businesses.

2019 Adjusted EBITDA Increases by $42 Million or 22%

- Adjusted EBITDA of $233 million improved 22% over the prior year, reflecting increased Divisional EBITDA contributions, the adoption of the new lease accounting standard (refer to Impact of New Accounting Standards section) and reduced G&A expenses.
- Adjusted EBITDA Margin was 33%, a three percentage point improvement over 2018.

2019 Net Loss

- Net loss in 2019 was $116 million compared to a loss of $74 million in the prior year, as improvements in Adjusted EBITDA and decreased transaction costs were more than offset by higher impairment expense as well as increased depreciation and finance costs associated with the Newalta acquisition.

2019 Capital Additions

- Capital additions related to growth and expansion projects were $106 million in 2019, which included the ongoing development of a new water disposal infrastructure project, drilling of new disposal wells, construction of new landfill cells, additional facility blending infrastructure, cavern expansions, and the purchase of new rail cars to increase capacity for our metals recycling business.
- 2019 maintenance capital additions were $33 million, consistent with the prior year.

2019 Discretionary Free Cash Flow

- Tervita generated $90 million of Discretionary Free Cash Flow in 2019, a 14% increase over the prior year. Discretionary Free Cash Flow, combined with our focused efforts on improving adjusted working capital, funded the $73 million of cash capital expenditures on growth and expansion projects and the $23 million repurchase of 3.2 million shares through our NCIB in 2019.

OUTLOOK

MARKET OUTLOOK

- Tervita demonstrated strength in its operating and financial results through 2019, delivering a 22% increase in Adjusted EBITDA over the prior year despite reduced energy industry-wide activity. These results in a challenging market are reflective of the majority of our waste volumes coming from a stable base of production-related volumes, continued focus on cost control, and delivery of the Newalta acquisition synergies.
- The Western Canadian Sedimentary Basin ("WCSB") continues to be challenged by egress as well as oil and gas prices, which have reduced drilling and completions activity and impacted producers' capital investment levels. Assuming WTI of approximately US$55/bbl, upstream oil and gas production similar to 2019 levels, and a reduction in drilling activity of approximately 10% from 2019 levels, we would expect Adjusted EBITDA growth in 2020, driven by contributions from:
  - our predominantly contracted 2019 investments in growth capital projects, which were primarily focused on increasing our water handling capacity in the Montney region and enhancing our clean oil energy marketing capabilities;
  - our ongoing focus on cost control and incremental business improvements in our Energy Services segment; and
  - the continued optimization of our waste and environmental services businesses in the Industrial Services segment.
- Recent market developments, which have introduced volatility and corresponding declines in commodity prices, could temper these growth expectations.

CAPITAL

- In 2020, we plan to take a measured approach to the allocation of Discretionary Free Cash Flow between the focus areas of delivering projects within our growth capital pipeline of opportunities, de-levering our balance sheet, and returning value to shareholders. Given our outlook for industry activity in 2020 and more recent market uncertainty, we have taken a prudent approach and established our preliminary capital budget at approximately $85 million for the year, including growth and expansion of $50 million, a 53% reduction from 2019 additions. We anticipate maintenance capital to remain flat to prior year at approximately $35 million. We will continue to exercise capital discipline while remaining responsive to opportunities and market changes and may revise our capital plans accordingly.

NON-GAAP MEASURES

Tervita uses both IFRS measures and non-GAAP measures to assess performance. To supplement financial information presented in accordance with IFRS, non-GAAP measures referred to in this MD&A are provided to enhance the reader's understanding of Tervita's operational and financial performance. The non-GAAP measures presented in this MD&A are not measurements of financial performance under IFRS and should not be considered as an alternative to profit (loss), cash provided by (used in) operating activities, or other performance measures derived in accordance with IFRS. As non-GAAP measures do not have a standardized meaning prescribed by IFRS, Tervita's method of determining non-GAAP measures may vary from the methods used by other companies and may not be comparable to similarly titled measures, ratios, or credit statistics disclosed by other companies.

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

We believe Adjusted EBITDA is useful in measuring Tervita's operating performance. Adjusted EBITDA is derived from the Consolidated Statements of Profit (Loss) ("Statements of Profit (Loss)") and is defined as net profit (loss) before tax, other income (expense), finance costs, impairment reversal (expense), depreciation and amortization, and certain items that are considered non-recurring in nature. For this MD&A, we have added back all severance, restructuring costs, and transaction costs, if any.

Management believes that Adjusted EBITDA provides improved comparability of our operating results from our principal business activities over time and is an important indicator of our ability to generate liquidity through cash flow from operating activities. Adjusted EBITDA allows us to evaluate the results of our business activities prior to consideration of how those activities are financed and the impacts of foreign exchange, taxation, depreciation and amortization, and other non-cash charges that add volatility to our financial results (such as impairment expenses, share-based

compensation, and other transactions that are non-recurring in nature). Management utilizes Adjusted EBITDA to set objectives and as a key performance indicator of our Company's success.

The presentation of Adjusted EBITDA should not be construed as an inference that future results will be unaffected by unusual or non-recurring items. Adjusted EBITDA should not be considered a measure of discretionary cash available for the return of capital to debt and equity stakeholders and to invest in the business.

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue (excluding energy marketing). Adjusted EBITDA and Adjusted EBITDA Margin for the year ended December 31, 2018 included financial results for Newalta from the Acquisition Date.

For the three and twelve months ended December 31, Tervita's net profit (loss) was reconciled to Adjusted EBITDA as follows:

	Three Months Ended December 31		Twelve Months Ended December 31	
	2019	2018	**2019**	2018
Net profit (loss)	**(123)**	(33)	**(116)**	(74)
Add back:				
Severance costs (excluding restructuring and transaction costs)	**—**	—	**3**	1
Depreciation and amortization	**35**	33	**138**	96
Restructuring costs	**—**	—	**3**	—
Impairment expense (reversal)	**126**	23	**120**	25
Finance costs	**24**	21	**92**	69
Transaction costs	**2**	3	**8**	69
Other expense (income)	**(2)**	3	**(1)**	4
Income tax expense (recovery)	**(3)**	—	**(14)**	1
Adjusted EBITDA	**59**	50	**233**	191
Adjusted EBITDA margin	***34 %***	*26 %*	***33 %***	*30 %*

DIVISIONAL EBITDA AND DIVISIONAL EBITDA MARGIN

We believe Divisional EBITDA is useful in measuring our reporting segments' performance. Divisional EBITDA is defined as Adjusted EBITDA excluding G&A expenses and the amount of severance costs not allocated to any segment. Divisional EBITDA provides an indication of the results generated by the reporting segments' principal business activities prior to how those activities are financed and assets are depreciated, amortized, or impaired. We believe Divisional EBITDA provides improved comparability of our reporting segments' results over time and, as such, is also an important indicator of Tervita's ability to generate future profitability.

Divisional EBITDA is calculated including directly attributable costs (such as those related to reporting segment leadership, business development, environmental health and safety, and sales and marketing) with no allocation of Corporate G&A expenses, other expenses (income), or income tax expense (recovery).

Divisional EBITDA Margin is defined as Divisional EBITDA divided by the respective segment's revenue (excluding energy marketing).

For the three and twelve months ended December 31, Divisional EBITDA was as follows:

	Three Months Ended December 31		Twelve Months Ended December 31	
	2019	2018	**2019**	2018
Net profit (loss)	**(123)**	(33)	**(116)**	(74)
Add back:				
Severance costs (excluding restructuring and transaction costs)	**—**	—	**3**	1
Depreciation and amortization	**35**	33	**138**	96
Restructuring costs	**—**	—	**3**	—
Impairment expense (reversal)	**126**	23	**120**	25
Finance costs	**24**	21	**92**	69
Transaction costs	**2**	3	**8**	69
Other expense (income)	**(2)**	3	**(1)**	4
Income tax expense (recovery)	**(3)**	—	**(14)**	1
Adjusted EBITDA	**59**	50	**233**	191
Add back:				
General and administrative expenses	**11**	15	**48**	50
Severance costs in general and administrative expenses	**—**	—	**(2)**	(1)
Divisional EBITDA	**70**	65	**279**	240
Divisional EBITDA by reporting segment				
Energy Services	**60**	58	**240**	212
Industrial Services	**10**	7	**39**	28
Divisional EBITDA	**70**	65	**279**	240
Divisional EBITDA Margin				
Energy Services	***51 %***	*44 %*	***51 %***	*52 %*
Industrial Services	***17 %***	*11 %*	***16 %***	*12 %*

DISCRETIONARY FREE CASH FLOW

We use a calculation of Discretionary Free Cash Flow to determine how much cash generated from operating activities is available for growth and expansion, debt reduction, or return of capital to our shareholders. Discretionary Free Cash Flow is defined as funds from operations, less cash spent on maintenance capital and payment of principal portion of lease liabilities, plus cash proceeds on the sale of long-lived assets and sublease payments received. Payment of principal portion of lease liabilities and receipt of sublease payments have been included in the definition of Discretionary Free Cash Flow as a result of the adoption of IFRS 16 "Leases" ("IFRS 16") (refer to the Impact of New Accounting Standards section).

For the three and twelve months ended December 31, Discretionary Free Cash Flow was as follows:

	Three Months Ended December 31		Twelve Months Ended December 31	
	2019	2018	**2019**	2018
Funds from (used in) operations	**20**	10	**127**	102
Less:				
Cash spend on maintenance capital	**(12)**	(11)	**(29)**	(28)
Payment of principal portion of lease liabilities	**(4)**	(1)	**(17)**	(2)
Add:				
Proceeds on disposition of long-lived assets	**5**	—	**7**	7
Sublease payments received	**—**	—	**2**	—
Discretionary Free Cash Flow	**9**	(2)	**90**	79

NET DEBT TO ADJUSTED EBITDA (LTM)

We monitor our Net Debt to Adjusted EBITDA (LTM) as a measure of Tervita's overall indebtedness and capital structure. We believe Net Debt to Adjusted EBITDA (LTM) is a measure of our debt capacity. Net Debt is calculated as debt, net of unamortized premium and debt costs, and derivative liabilities associated with that debt less cash and cash equivalents. For the purposes of this calculation, Adjusted EBITDA (LTM) is defined as Adjusted EBITDA calculated for the last twelve months.

Tervita's Net Debt to Adjusted EBITDA (LTM) at December 31, 2019 was as follows:

	LTM December 31 2019
Net profit (loss)	(116)
Add back:	
Severance costs (excluding restructuring and transaction costs)	3
Depreciation and amortization	138
Restructuring costs	3
Impairment expense (reversal)	120
Finance costs	92
Transaction costs	8
Other expense (income)	(1)
Income taxes expense (recovery)	(14)
Adjusted EBITDA (LTM)	233

	As at December 31 2019
Long-term debt	750
Derivative liabilities	10
Less: unrestricted cash and cash equivalents	(22)
Net debt	738
Net Debt to Adjusted EBITDA (LTM)	*3.17*

COVENANT EBITDA

The terms of our revolving credit facility require the Company to comply with certain financial and non-financial covenants, as defined by our lenders. Covenant EBITDA is defined as Adjusted EBITDA (LTM) excluding the Adjusted EBITDA (LTM) of our unrestricted subsidiary and the impact of any changes in GAAP subsequent to the date of the credit agreement (refer to the Impact of New Accounting Standards section for information regarding changes in GAAP).

Tervita's Covenant EBITDA at December 31, 2019 was as follows:

	LTM December 31 2019
Net profit (loss)	(116)
Add back:	
Depreciation and amortization	138
Restructuring costs	3
Impairment expense (reversal)	120
Finance costs	92
Transaction costs	8
Other expense (income)	(1)
Income taxes expense (recovery)	(14)
Eligible adjustments:	
Severance costs (excluding restrucuting and transaction costs)	3
Adjusted EBITDA of unrestricted subsidiaries	(3)
Impact of new accounting standards (IFRS 16)	(10)
Covenant EBITDA	220

ADJUSTED WORKING CAPITAL

Adjusted Working Capital is defined as trade and other receivables, inventory, and other current assets less trade and other payables and other current liabilities. We believe Adjusted Working Capital is a useful metric as it demonstrates our ability to most efficiently manage our resources and meet our short-term obligations, and is monitored internally for such purposes.

	As at December 31	
	2019	2018
Trade and other receivables	**192**	180
Inventory	**12**	12
Other current assets	**12**	8
Trade and other payables	**(180)**	(122)
Other current liabilities	**(5)**	—
Adjusted Working Capital	**31**	78

OPERATING RESULTS

ENERGY SERVICES

Facilities include our TRDs, caverns, disposal wells, and landfills, and represent activities related to the treatment, recovery, and disposal of fluids, the processing and disposal of solid materials used in and generated by natural resource and industrial production, and the disposal of oilfield waste.

Onsite represents specialized services provided on a customer's site including the use of centrifugation or other processes for heavy oil producers involved in mining and in-situ production, as well as the supply and operation of drill site processing equipment, including equipment for solids control and drill cuttings management.

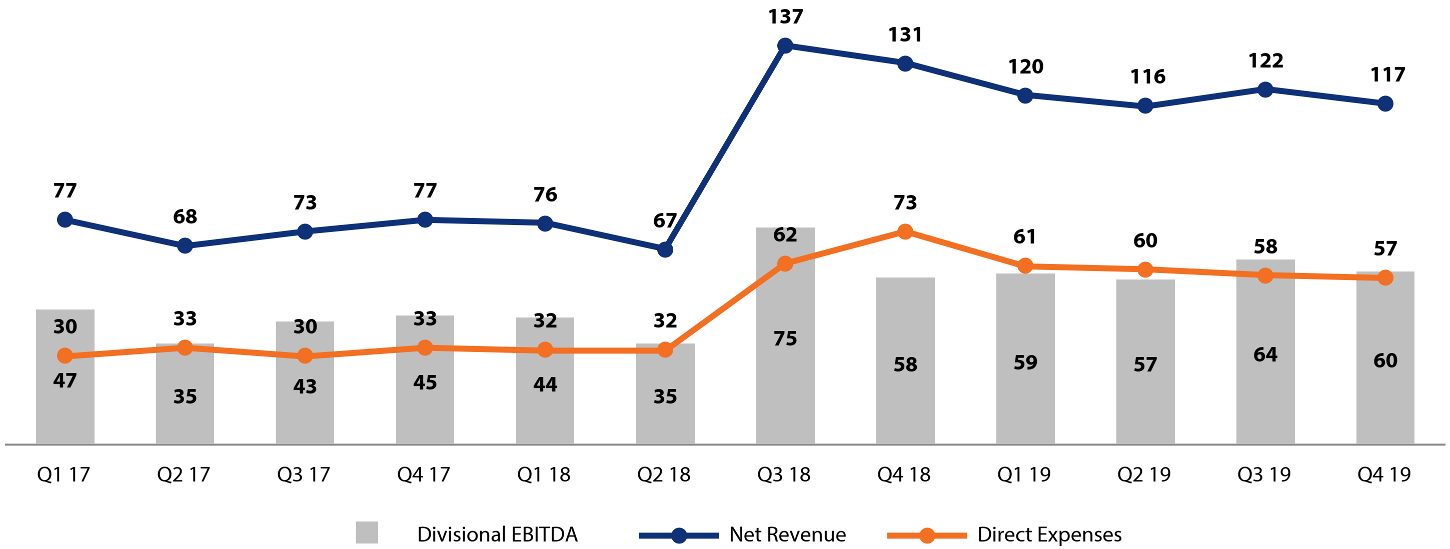
Energy marketing represents activities related to the purchase and resale of oil volumes associated with terminalling, treatment, recovery, and disposal services. Revenue and direct expenses for energy marketing activities are recorded at the purchased cost of oil. Revenue related to services provided by TRD facilities to prepare the energy marketing oil volumes for entry to the pipeline, including treatment, blending, and terminalling, are reported with facilities revenue.

Energy Services Financial Highlights

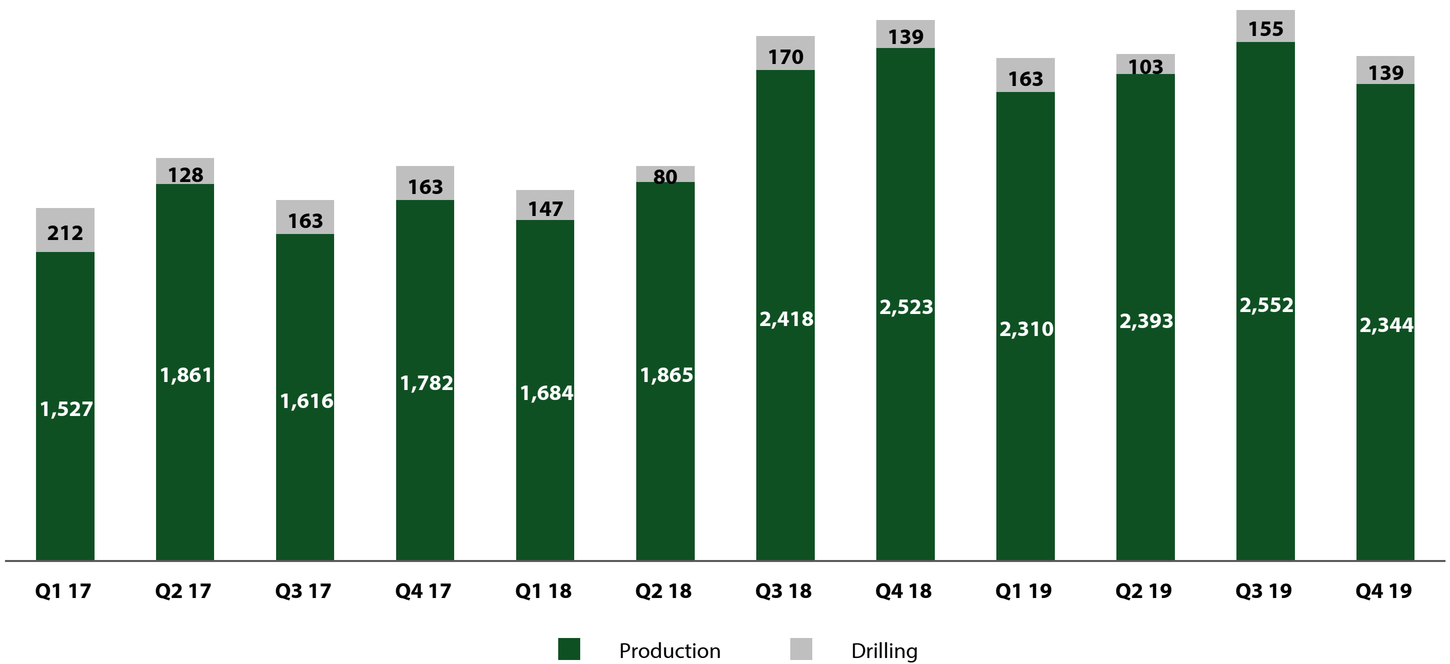
	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Increase (Decrease)	*% Change*	**2019**	2018	Increase (Decrease)	*% Change*
Facilities revenue	**102**	109	(7)	*(6)%*	**399**	368	31	*8 %*
Onsite revenue	**15**	22	(7)	*(32)%*	**76**	43	33	*77 %*
Energy marketing revenue	**416**	208	208	*100 %*	**1,607**	1,337	270	*20 %*
Less: energy marketing direct expenses	**(416)**	(208)	(208)	*(100)%*	**(1,607)**	(1,337)	(270)	*(20)%*
Net Energy Services revenue	**117**	131	(14)	*(11)%*	**475**	411	64	*16 %*
Facilities and onsite direct expenses	**(57)**	(73)	(16)	*(22)%*	**(236)**	(199)	37	*19 %*
Depreciation and amortization	**(30)**	(29)	1	*3 %*	**(118)**	(82)	36	*44 %*
Impairment reversal (expense)	**(129)**	3	132	*4,400 %*	**(125)**	(1)	124	*12,400 %*
Operating profit (loss)	**(99)**	32	(131)	*(409)%*	**(4)**	129	(133)	*(103)%*
Finance costs	**(3)**	(3)	—	*— %*	**(12)**	(10)	2	*20 %*
Transaction costs	**—**	—	—	*— %*	**—**	(12)	(12)	*(100)%*
Other income (expense)	**1**	(2)	(3)	*(150)%*	**2**	1	(1)	*(100)%*
Net profit (loss)	**(101)**	27	(128)	*(474)%*	**(14)**	108	(122)	*(113)%*
Divisional EBITDA [(1)]	**60**	58	2	*3 %*	**240**	212	28	*13 %*
Divisional EBITDA Margin [(1)]	***51 %***	*44 %*	*7 %*		***51 %***	*52 %*	*(1)%*	

[(1)] *Refer to Non-GAAP Measures section for definitions and reconciliations.*

Energy Services Quarterly Results



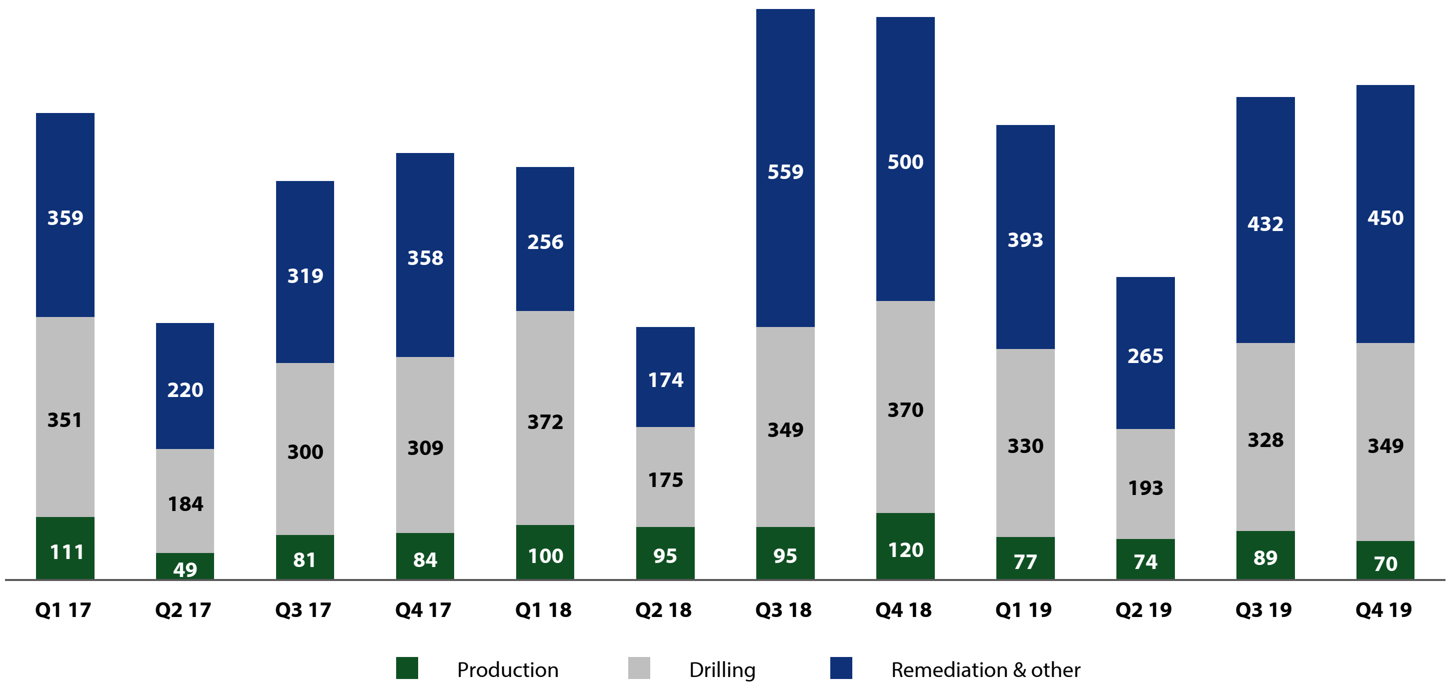
TRDs, Caverns and Wells Volumes by Revenue Source (thousands of m3)



Production volumes are related to oil and gas production operations and include volumes for treatment, terminalling, and disposal activities for liquid waste from emulsion and produced water.

Drilling volumes are related to oil and gas drilling activities and include volumes for processing and disposal of waste and waste water.

Landfills Volumes by Revenue Source (thousands of tonnes)

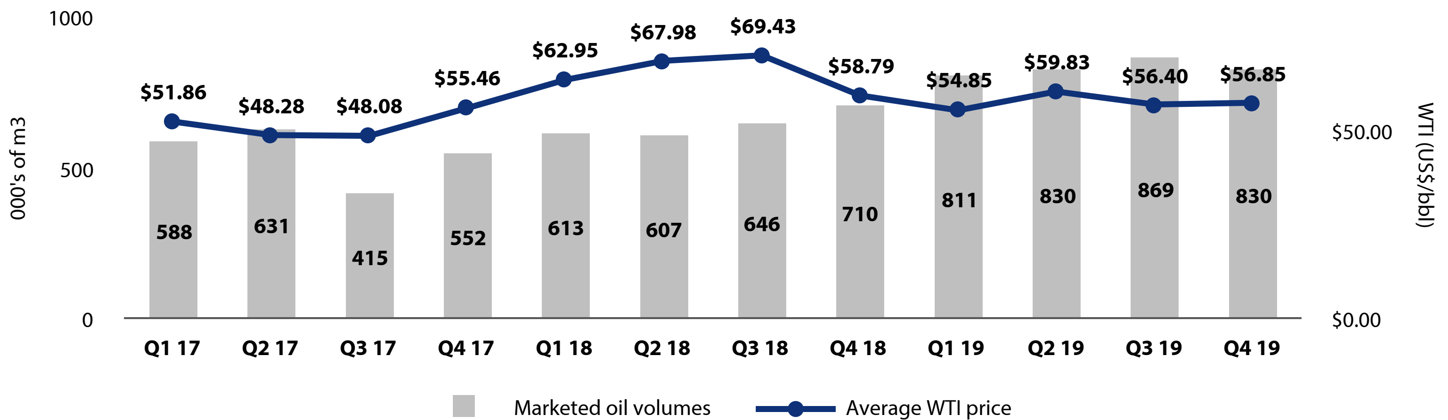


Production volumes are related to oil and gas production operations and include volumes for disposal activities for solids waste from emulsions.

Drilling volumes are primarily volumes for drill cuttings related to oil and gas drilling.

Remediation & other volumes are related to the processing and disposal of solid waste from spill cleanup and remediation or reclamation activities, revenue earned on managed landfills, and other service-related activities.

Marketed Oil Volumes Compared to Average WTI Prices



Q3 2018 and Q4 2018 marketed oil volumes exclude volumes marketed by a third party. Beginning January 1, 2019, these volumes were marketed by Tervita.

Energy Services Fourth Quarter Results

Q4 Divisional EBITDA Increases by $2 Million to $60 Million

- Energy Services Divisional EBITDA increased by 3% in Q4 2019 compared to the prior year despite lower industry activity. EBITDA improvements were driven by favorable Canadian crude oil commodity pricing and benefits from the Newalta acquisition including increased marketed oil volumes and realized synergies. This was partially offset by a 9% decrease in production-related volumes, reduced customer remediation projects and a shift to lower value waste streams.
- Divisional EBITDA Margin was 51% compared to 44% in Q4 2018 due to realized synergies from the Newalta acquisition as well as higher one-time costs in Q4 2018 related to transitioning acquired facilities to Tervita's maintenance program.

Q4 Net Loss of $101 Million

- Energy Services net loss was $101 million, a $128 million decline from Q4 2018 due to impairment expenses, which more than offset the increase in Divisional EBITDA. These non-cash impairment expenses resulted from the write-down of specific assets within Energy Services, approximately 64% of which relate to our drilling-based operations in the US and Canada, with the remainder primarily relating to closed or suspended facilities that no longer met cash and return expectations. These assets did not contribute materially to our 2019 Adjusted EBITDA.

Q4 Net Revenue Decreases $14 Million to $117 Million

- The 11% decrease in Energy Services net revenue compared to prior year was primarily due to the decline in industry activity resulting in lower volumes into facilities and less project work for drill site processing equipment, partially offset by increased marketed oil volumes and favorable Canadian crude oil commodity pricing. Production-related revenue was further impacted by a change in product mix towards lower value waste streams.
- Total volumes at our landfills decreased by 12% compared to the prior year, driven by decreased customer remediation projects and reduced drilling activity.
- Onsite services contributed 13% of our net Energy Services revenue for the quarter, compared to 17% in Q4 2018. Compared to prior year, lower drilling activity resulted in a decrease in project work for drill site processing equipment.

Energy Services Full Year Results

2019 Divisional EBITDA Increases by $28 Million to $240 Million

- 2019 Divisional EBITDA increased by 13% over the prior year, reflecting contributions from our expanded network and realized transaction synergies. Our acquisition of Newalta in Q3 2018 contributed to an 11% increase in production-related volumes through our facilities which more than offset the 2% decrease in drilling-related volumes.
- Energy Services Divisional EBITDA Margin for 2019 was relatively flat compared to prior year.

2019 Net Loss of $14 Million

- Energy Services 2019 net loss was $14 million, a $122 million decline from prior year. Increased Divisional EBITDA and lower transaction costs were offset by higher depreciation and amortization related to acquired Newalta assets and assets associated with the new lease accounting standard as well as impairment expense of $125 million recognized in 2019.

2019 Net Revenue Increases $64 Million to $475 Million

- The 16% or $64 million increase in Energy Services net revenue for 2019 compared to the prior year was primarily driven by our investments in new facility infrastructure and onsite services in 2018, including the acquisition of Newalta and other growth capital investments that provided additional waste disposal, storage, and blending capacity.
- TRD facilities volumes increased by 13% primarily driven by the Newalta acquisition. Revenue from the increased volumes was impacted by a change in product mix resulting in lower realized prices.
- Landfills volumes decreased 4% compared to prior year as the impact of the decline in drilling activity was partially offset by the acquisition of Newalta and a 3% increase in soil volumes received from customer remediation projects.

- Onsite services contributed 16% of net revenue in 2019 compared to 10% in 2018.
- Energy marketing revenue increased by 20% compared to the prior year, primarily due to a 30% increase in marketed oil volumes from acquired Newalta facilities.

INDUSTRIAL SERVICES

Industrial Services is comprised of four operating segments: waste services, metals recycling, rail services, and environmental services. Revenue from these operating segments is derived from: commodity-based sales from ferrous and non-ferrous metals; facility-based services including hazardous and non-hazardous waste management and disposal and waste transportation and classification; and project-based services including site remediation, facility decommissioning, water treatment, sludge and slurry management, bio-remediation and technologies, emergency response, and rail services.

Industrial Services Financial Highlights

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Increase (Decrease)	*% Change*	**2019**	2018	Increase (Decrease)	*% Change*
Commodity-based sales	**9**	14	(5)	*(36)%*	**45**	49	(4)	*(8)%*
Facility-based services	**12**	10	2	*20 %*	**45**	33	12	*36 %*
Project-based services	**39**	39	—	*— %*	**156**	149	7	*5 %*
Total revenue	**60**	63	(3)	*(5)%*	**246**	231	15	*6 %*
Direct expenses	**(50)**	(56)	(6)	*(11)%*	**(207)**	(203)	4	*2 %*
Depreciation and amortization	**(3)**	(2)	1	*50 %*	**(13)**	(9)	4	*44 %*
Restructuring costs	**—**	—	—	*— %*	**(3)**	—	3	*100 %*
Impairment reversal (expense)	**1**	(22)	(23)	*(105)%*	**1**	(23)	(24)	*(104)%*
Operating profit (loss)	**8**	(17)	25	*147 %*	**24**	(4)	28	*700 %*
Finance costs	**(1)**	—	1	*100 %*	**(2)**	—	2	*100 %*
Other income (expense)	**4**	(1)	5	*500 %*	**6**	(2)	8	*400 %*
Net profit (loss)	**11**	(18)	29	*161 %*	**28**	(6)	34	*567 %*
Divisional EBITDA [1]	**10**	7	3	*43 %*	**39**	28	11	*39 %*
Divisional EBITDA Margin [1]	***17 %***	*11 %*	*6 %*		***16 %***	*12 %*	*4 %*	

[1] *Refer to Non-GAAP Measures section for definitions and reconciliations.*

Industrial Services Fourth Quarter Results

Q4 Divisional EBITDA Contributes $10 Million With Divisional EBITDA Margin of 17%

- Industrial Services Divisional EBITDA increased $3 million or 43% over prior year, primarily driven by increased project margins combined with higher waste volumes at our waste services facilities, partially offset by the impact of lower metals commodity prices.
- Divisional EBITDA margin improved six percentage points compared to prior year.

Q4 Net Profit of $11 Million Driven by Higher Divisional EBITDA

- Net profit of $11 million was a $29 million improvement compared to the same period in 2018, due to higher Divisional EBITDA and goodwill impairment recorded in Q4 2018.

Q4 2019 Revenue of $60 Million a 5% Decrease Over Q4 2018

- Fourth quarter revenue decreased $3 million or 5% compared to prior year, primarily due to lower ferrous metals volumes and pricing combined with reduced project activity. This was partially offset by increased waste volumes received at our facilities.

Industrial Services Full Year Results

2019 Divisional EBITDA of $39 Million With Divisional EBITDA Margin of 16%

- Divisional EBITDA of $39 million increased $11 million or 39% over 2018. This increase was primarily driven by increased margins for project work, higher waste volumes at our facilities, particularly in the lower mainland of British

Columbia and central Alberta, higher metal volumes, and the adoption of the new lease accounting standard (refer to Impact of New Accounting Standards section). This was partially offset by lower metals commodity pricing.

- Divisional EBITDA Margin improved by four percentage points in 2019 as compared to the prior year.

2019 Net Profit of $28 Million Driven by Higher Divisional EBITDA

- 2019 net profit of $28 million was a $34 million improvement compared to 2018, primarily driven by Divisional EBITDA improvement and a goodwill impairment in 2018.

2019 Revenue of $246 Million a 6% Increase Over YTD 2018

- Revenue increased $15 million or 6% compared to 2018. This was primarily due to an increase in waste volumes received at our facilities and increased metals volumes, partially offset by lower metals commodity prices.

CORPORATE

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Increase (Decrease)	*% Change*	**2019**	2018	Increase (Decrease)	*% Change*
Revenue - intersegment eliminations	**(2)**	—	2	*100 %*	**(5)**	(5)	—	*— %*
Direct costs - intersegment eliminations	**2**	—	(2)	*(100)%*	**5**	5	—	*— %*
General and administrative expenses	**(11)**	(15)	(4)	*(27)%*	**(48)**	(50)	(2)	*(4)%*
Depreciation and amortization	**(2)**	(2)	—	*— %*	**(7)**	(5)	2	*40 %*
Impairment reversal (expense)	**2**	(4)	(6)	*(150)%*	**4**	(1)	(5)	*(500)%*
Finance costs	**(20)**	(18)	2	*11 %*	**(78)**	(59)	19	*32 %*
Transaction costs	**(2)**	(3)	(1)	*(33)%*	**(8)**	(57)	(49)	*(86)%*
Other income (expense)	**(3)**	—	3	*100 %*	**(7)**	(3)	4	*133 %*
Income tax recovery (expense)	**3**	—	(3)	*(100)%*	**14**	(1)	(15)	*(1,500)%*
Total corporate expenses	**(33)**	(42)	(9)	*(21)%*	**(130)**	(176)	(46)	*(26)%*
G&A as a % of revenue (excl. energy marketing)	***6 %***	*8 %*	*(2)%*		***7 %***	*8 %*	*(1)%*	

General and Administrative Expenses

- G&A expenses for Q4 2019 decreased by $4 million compared to 2018, driven primarily by synergies from the acquisition of Newalta and a $1 million impact from the adoption of the new lease accounting standard (refer to Impact of New Accounting Standards section).
- 2019 G&A expenses decreased by $2 million over 2018 as higher employee-related costs associated with the acquired Newalta corporate operations were more than offset by realized synergies and a $2 million decrease in expenses related to the adoption of the new lease accounting standard (refer to Impact of New Accounting Standards section).

Finance Costs

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Increase (Decrease)	*% Change*	**2019**	2018	Increase (Decrease)	*% Change*
Interest on long-term debt	**(16)**	(16)	—	*— %*	**(63)**	(52)	11	*21 %*
Amortization of debt issue costs	**(3)**	(2)	1	*50 %*	**(10)**	(7)	3	*43 %*
Accretion of decommissioning liabilities	**(1)**	—	1	*100 %*	**(1)**	—	1	*100 %*
Interest on obligations under leases	**(1)**	—	1	*100 %*	**(5)**	—	5	*100 %*
Sublease interest income	**1**	—	1	*100 %*	**1**	—	1	*100 %*
Finance costs	**(20)**	(18)	4	*22 %*	**(78)**	(59)	21	*36 %*

- Finance costs for the quarter and full year increased over prior year as a result of increased interest and amortization of debt issue costs associated with the additional US$250 million senior secured notes issued in June 2018 for the acquisition of Newalta, as well as increased interest expense recognized on lease liabilities in accordance with our adoption of the new lease accounting standard (refer to Impact of New Accounting Standards section).

Transaction Costs

- Q4 2019 and Q4 2018 transaction costs included integration costs, comprised of severance, branding, site suspension, employee compensation, onerous contracts, and information technology.
- Transaction costs in 2019 included $7 million of integration costs. Transaction costs in 2018 included $13 million of expenses incurred for the completion of the Arrangement with Newalta, $18 million of integration costs, and $26 million of non-cash impairment expense primarily related to the change in discount rate on decommissioning obligations acquired as part of the transaction.

Other Income (Expense)

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Increase (Decrease)	*% Change*	**2019**	2018	Increase (Decrease)	*% Change*
Share-based compensation	**(2)**	—	2	*100 %*	**(9)**	(4)	5	*125 %*
Change in provisions and onerous lease contracts	**(2)**	(3)	(1)	*(33)%*	**(3)**	(5)	(2)	*(40)%*
Foreign exchange gain (loss)	**1**	2	1	*50 %*	**3**	1	(2)	*(200)%*
Gain (loss) on sale of assets	**—**	1	1	*100 %*	**1**	5	4	*80 %*
Gain (loss) on lease modification	**—**	—	—	*— %*	**1**	—	(1)	*(100)%*
Other income (expense)	**(3)**	—	3	*100 %*	**(7)**	(3)	4	*133 %*

- Other expense for the quarter and full year increased over prior year primarily due to the issuance of additional share-based compensation units in 2019.

Income Tax Recovery (Expense)

- In 2019, we resolved certain tax matters relating to prior periods and recorded an income tax recovery of $14 million.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY AND LIQUIDITY RISK

The term liquidity refers to the ability and speed with which a company's assets can be converted into cash. Liquidity risk refers to the risk encountered in meeting financial obligations settled by cash or another financial asset. Our liquidity risk may arise from general day-to-day cash requirements and in the management of our assets, liabilities, and capital resources. We manage our cash and credit facility balances to have sufficient capital to fund ongoing operations, capital programs, and growth initiatives. Our liquidity and operational cash requirements are managed through cash flow forecasts, monitoring of operational expenditures compared to budget, and monitoring of financial leverage ratios. Our liquidity needs and working capital requirements can be sourced through cash provided by operating activities, existing credit facilities, and access to debt and capital markets.

Our debt structure as at December 31, 2019 included: (i) an undrawn $275 million revolving credit facility; and (ii) an aggregate principal amount of US$590 million senior secured notes, which notes were issued in December 2016 in an amount of US$360 million and in July 2018 in an amount of US$250 million, of which we repurchased US$20 million in November 2019. The senior secured notes bear a coupon rate of 7.625%, with interest payable semi-annually on June 1 and December 1, and mature on December 1, 2021.

At December 31, 2019, Tervita had $77 million in letters of credit ("LCs") issued against our revolving credit facility. The remaining $198 million of capacity, combined with $22 million of cash and cash equivalents, provided $220 million in available liquidity. The credit facility has a scheduled termination date of June 1, 2021, with normal course extension provisions under the credit agreement.

For the twelve months ended December 31, 2019, Tervita generated $128 million (December 31, 2018 - $96 million) of cash from operations (net of working capital and including decommissioning activities) and invested approximately $102 million (December 31, 2018 - $84 million) of cash in property, plant and equipment and intangible assets. Tervita did not require any additional liquidity to support continuing operations.

Adjusted Working Capital at December 31, 2019 was $31 million (December 31, 2018 - $78 million). The decrease in Adjusted Working Capital was primarily due to our efforts to reduce our trade receivables through improved collections, and an increase in trade and other payables.

At current activity levels, we have ample liquidity to meet our ongoing commitments and operational requirements of the business.

For the twelve months ended December 31, 2019, Discretionary Free Cash Flow was $90 million, an increase of $11 million from 2018, due to higher cash flow generated from operations. Discretionary Free Cash Flow represents Tervita's capacity to fund its ongoing growth capital spending, reduce net debt, and repurchase common shares under the NCIB. For the twelve months ended December 31, 2019 Discretionary Free Cash Flow was more than sufficient to fund the $73 million of growth and expansion cash capital expenditures.

Net Debt to Adjusted EBITDA (LTM) at December 31, 2019 was 3.17.

SOURCES OF CASH

Our liquidity needs can be sourced in several ways, including: funds from operations, borrowings against or increases in our revolving credit facility, new debt instruments, return of LCs or replacement of LCs with other types of financial security, proceeds from the sale of long-term assets, and issuance of share capital.

At December 31, 2019, Tervita had cash and cash equivalents of $22 million. After adjusting for the US$20 million of repurchased debt, cash and cash equivalents are largely unchanged from the prior year.

Revolving Credit Facility

At December 31, 2019, $198 million was available and undrawn under our revolving credit facility for general corporate purposes, as well as to provide LCs to third parties. The maximum amount of LCs which can be issued under the LC program is $200 million.

Under the terms of Tervita's revolving credit facility, we must comply with certain financial and non-financial covenants, including: (i) Total Leverage Ratio; (ii) Secured Leverage Ratio; and (iii) Interest Coverage Ratio.

The Company was in compliance with its covenants at December 31, 2019 as follows:

	Required	**Actual**
Total Leverage Ratio	Less than 4.50	3.49
Secured Leverage Ratio	Less than 2.50	0.26
Interest Coverage Ratio	Greater than 2.00	3.35

Total Leverage Ratio

Total Leverage Ratio is calculated as the ratio of Total Indebtedness to Covenant EBITDA. Total Indebtedness consists of the outstanding principal value of the senior secured notes, reported in C$ and reflecting the impact of cross currency swaps, less cash balances up to a total of $75 million.

Tervita's Total Leverage Ratio cannot exceed 4.50 to 1.00.

Secured Leverage Ratio

Secured Leverage Ratio is defined as Secured Indebtedness to Covenant EBITDA. Secured Indebtedness consists of the outstanding LCs (which reduce the borrowing availability under the revolving credit facility) less cash balances up to a total of $75 million.

Tervita must maintain a Secured Leverage Ratio of less than 2.50 to 1.00.

Interest Coverage Ratio

Interest Coverage Ratio is defined as Covenant EBITDA to Interest Expense, where Interest Expense consists of interest payments on the senior secured notes for the last twelve months and interest due on LCs and standby fees.

Tervita must maintain an Interest Coverage Ratio greater than 2.00 to 1.00.

USES OF CASH

Our primary uses of cash include capital expenditures, operating and G&A expenses, payments for decommissioning obligations, servicing and repayment of the long-term debt, and repurchasing common shares under the NCIB. Some of these cash outflows are contractually obligated into the future.

Capital Expenditures

Capital expenditures are classified as either growth and expansion capital or maintenance capital. Growth and expansion capital expenditures are investments to expand our existing facilities, develop our landfills and caverns, and purchase property, plant and equipment, with the intent of expanding existing businesses or entering into new locations or markets. Maintenance capital expenditures are incurred to retain the current performance levels of existing assets.

Change in capital accruals represent the net non-cash additions to property, plant and equipment and intangible assets that occur as a result of the timing difference between capitalizing an asset and settling the related liability in cash.

Capital additions for the year ended December 31 was as follows:

	Three Months Ended December 31				Twelve Months Ended December 31			
	2019	2018	Increase (Decrease)	% Change	**2019**	2018	Increase (Decrease)	% Change
Capital additions								
Growth and expansion	**41**	18	23	*128 %*	**106**	45	61	*136 %*
Maintenance	**11**	14	(3)	*(21)%*	**33**	38	(5)	*(13)%*
Change in capital accruals	**(5)**	4	(9)	*(225)%*	**(37)**	1	(38)	*(3,800)%*
Capital expenditures (cash)	**47**	36	11	*31 %*	**102**	84	18	*21 %*
Growth and expansion	**35**	25	10	40 %	**73**	56	17	30 %
Maintenance	**12**	11	1	9 %	**29**	28	1	4 %

Management evaluates capital projects based on their internal rate of return, payback period, fit with our corporate strategy, and risks associated with the projects, among other factors. Growth and expansion capital investment is prioritized towards projects that provide stable cash flows and where there is a high degree of certainty of completing projects on time, and on budget. The amount and timing of future maintenance capital is primarily dependent on the volume of waste that is received at our facilities.

We will continue to identify, plan, and execute a growth capital portfolio. Refer to the Outlook section for a discussion of expected capital additions for 2020.

NCIB

On May 7, 2019, we commenced a NCIB to repurchase up to 3,115,264 common shares until May 6, 2020. On December 5, 2019, the NCIB was amended to increase the total amount of common shares that can be repurchased to 5,877,855. As at December 31, 2019, we repurchased 3,202,448 common shares for $23 million.

On May 21, 2019, we entered into an Automatic Share Purchase Plan, which permits an independent broker to repurchase shares under the NCIB during blackout periods. As at December 31, 2019, Tervita recognized a $13 million provision as an estimated value of shares that may be repurchased from the end of the reporting period until the release of our annual financial information.

Repurchase of senior secured notes

In November 2019, Tervita repurchased US$20 million of the senior secured notes originally issued in July 2018 for $26 million.

SUMMARY OF COMPARATIVE RESULTS

SEASONALITY

Our quarterly results reflect how Energy Services is influenced by seasonal weather patterns. During the spring thaw and at other times of the year, wet weather can make the ground unstable. Consequently, roads become impassable or municipalities and provincial transportation departments enforce road bans that restrict the movement of trucks, rigs, and other heavy equipment, reducing the activity levels and placing an increased importance on the location of the equipment prior to the imposition of the road bans. As a result, Energy Services (excluding energy marketing) tends to earn lower revenue and operating profit in the second fiscal quarter (refer to the Operating Results section for a discussion on Energy Services). If the weather causes the ground to be unstable for longer than usual, operating results may continue to be negatively impacted.

QUARTERLY REVIEW SUMMARY

	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue (excluding energy marketing)	**175**	191	166	184	194	203	124	116
Energy marketing revenue	**416**	420	424	347	208	439	416	274
Revenue	**591**	611	590	531	402	642	540	390
Profit (loss) from continuing operations	**(123)**	10	—	(3)	(33)	(44)	—	3
- per share ($), basic and diluted	**(1.07)**	0.09	—	(0.03)	(0.28)	(0.38)	—	0.03
Net profit (loss)	**(123)**	10	—	(3)	(33)	(44)	—	3
- per share ($), basic and diluted	**(1.07)**	0.09	—	(0.03)	(0.28)	(0.38)	—	0.03

Q3 2019 to Q4 2019
- Net loss increased primarily due to impairment expense related to specific assets and closed or suspended sites.

Q2 2019 to Q3 2019
- The increase in revenue (excluding energy marketing) was primarily due to higher project revenue in environmental services.

Q1 2019 to Q2 2019
- The increase in revenue was primarily from energy marketing due to an increase in Canadian crude oil prices.
- Revenue (excluding energy marketing) decreased due to smaller-scale rail services projects.

Q4 2018 to Q1 2019
- The decrease in revenue (excluding energy marketing) was primarily due to lower volumes through Energy Services facilities from lower production and drilling-related market activity.
- The increase in energy marketing revenue was primarily due to higher marketed oil volumes from acquired Newalta facilities, which were marketed by Tervita beginning Q1 2019 and by a third party in 2018.

Q3 2018 to Q4 2018
- The decrease in revenue was primarily attributable to the reduced activity and associated recovered oil revenue due to the extreme widening of differentials during Q4 2018.
- Net loss increased primarily due to transaction and finance costs incurred on the Newalta acquisition, goodwill impairment in Industrial Services, and an impairment of assets associated with inactive sites in Energy Services.

Q2 2018 to Q3 2018
- Revenue increased primarily due to the acquisition of Newalta operations as well as higher Canadian crude oil prices on greater than Q2 2018 marketed oil volumes.
- Net profit decreased primarily due to transaction and finance costs incurred on the Arrangement. The increase in these costs were largely offset by the increase in operating profit.

Q1 2018 to Q2 2018
- Revenue increased primarily from higher energy marketing volumes and Canadian crude oil prices, and increased project-related revenue in Industrial Services.
- Net profit decreased due to the interest expense incurred on the escrow notes.

SELECT THREE YEAR COMPARATIVE INFORMATION

	Twelve Months Ended December 31		
	2019	2018	2017
Revenue (excluding energy marketing)	**716**	637	505
Energy marketing revenue	**1,607**	1,337	985
Total revenue	**2,323**	1,974	1,490
Profit (loss) from continuing operations	**(116)**	(74)	(82)
- per share ($), basic and diluted	**(0.99)**	(0.67)	(0.78)
Net profit (loss)	**(116)**	(74)	(81)
- per share ($), basic and diluted	**(0.99)**	(0.67)	(0.77)
Adjusted EBITDA[1]	**233**	191	156
Total assets	**1,662**	1,809	1,226
Non-current financial liabilities	**851**	824	476
Shares at December 31 (000's of shares)			
Shares outstanding	**114,355**	117,557	104,626
Weighted average shares outstanding - basic and diluted	**116,732**	110,471	104,626

[1] *Refer to the section Non-GAAP Measures for definitions and reconciliation.*

Year to Date 2018 Versus Year to Date 2017 Comparative Highlights

- Revenue in 2018 increased compared to 2017 as a result of our strategic investment in growth and expansion opportunities in 2017 and 2018, highlighted by the acquisition of Newalta in 2018. These investments expanded our geographic footprint and increased our service line offerings.
- Tervita recorded a net loss in 2018, largely due to incremental costs related to the acquisition of Newalta including $69 million of transaction costs related to the acquisition. Finance costs increased by $20 million compared to 2017, primarily due to issuance of the US$250 million senior secured notes.
- In 2017, Tervita's net loss was primarily a result of non-cash expenses. Most significantly, impairment expense of $76 million primarily related to operation of our landfills, and a provision of $13 million for onerous contracts and legal.
- Compared to the prior year, the 2018 net loss included the $35 million increase in Adjusted EBITDA, a $51 million decrease in impairment expense, and a reduction in changes to onerous and legal provisions of $13 million. These reductions were somewhat offset by transaction costs, the increased finance costs, and higher depreciation and amortization expense on new assets of $16 million.
- 2018 adjusted EBITDA of $191 million was a $35 million increase compared to 2017 Adjusted EBITDA of $156 million, primarily due to the acquisition of Newalta.

OTHER ITEMS

ACQUISITION OF NEWALTA

The Competition Act (Canada) ("the Act") permits the Commissioner of Competition to make an application to the Competition Tribunal in respect of an acquisition transaction within a period of one year after its implementation. As of July 19, 2019, no such application had been made to the Competition Tribunal and, pursuant to the Act, the time to make such an application has now lapsed.

Effective January 1, 2019, we assumed the marketing of oil volumes previously marketed by a third party on behalf of Newalta. During the first half of 2019, we also converted Newalta's legacy accounting, payroll, and operating systems onto Tervita's systems, enacted further headcount reductions, suspended operations at additional sites, and achieved further operating improvements.

As of the end of the second quarter 2019, we had achieved an annualized run rate of $45 million of Adjusted EBITDA synergies, at the top of our targeted range and well ahead of schedule.

FINANCIAL INSTRUMENTS

As at December 31, 2019, financial instruments included cash and cash equivalents, trade and other receivables, sublease receivables, equity investments, trade and other payables, interest payable, long-term debt, lease liabilities, derivative assets (liabilities) and contingent considerations. Excluding long-term debt, the fair values of the financial instruments approximated their carrying values due to the short-term maturities. The fair value of the long-term debt is influenced by changes in the risk-free interest rates.

Tervita is exposed to foreign currency risk with respect to its senior secured notes that are denominated in US$. Tervita manages this exposure through its cross-currency swap agreements ("cross-currency swaps") and forward-contract swap agreements ("forward swaps"), thereby fixing the exchange rate on certain US$ debt.

Our risk management strategy for the senior secured notes is to mitigate the foreign currency risk due to movements in the US$ to C$ exchange rates. We have cross-currency swaps for the US$360 million senior secured notes for which we have applied hedge accounting to reduce variability in cash flows due to changes in the US$ to C$ exchange rates ("Designated Hedge"). During the twelve months ended December 31, 2019, the Designated Hedge was deemed to be effective and a loss of $18 million was recognized in accumulated other comprehensive profit (loss).

We also entered into forward swaps to mitigate the foreign exchange risk on the repayment of principal of the US$230 million senior secured notes. All gains and losses associated with changes in the fair value of the forward swaps are included in net profit (loss). Tervita exited the forward swaps on October 29, 2019 for proceeds of $6 million, and recognized a $6 million realized gain. During the twelve months ended December 31, 2018, $18 million was recognized in the Statements of Profit (Loss) associated with unrealized loss in the fair value of the forward swaps.

For further information regarding our financial and other instruments as well as how we manage the risk associated with these instruments, refer to notes 2, 18, 19 and 22 of the Annual Financial Statements, and the Liquidity and Liquidity Risk section of this MD&A.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2019, Tervita did not have any material off-balance sheet arrangements, other than the commitments, contingencies, and guarantees discussed in note 26 of the Annual Financial Statements. We do not believe that any of these off-balance sheet arrangements have, or are reasonably likely to have, a current or future material effect on the Company's financial performance or financial condition, results of operations, liquidity, or capital expenditures.

RELATED PARTY TRANSACTIONS

Refer to note 25 of the Annual Financial Statements for disclosure regarding related party transactions.

LEGAL AND ENVIRONMENTAL MATTERS

After evaluation from Tervita's management and Board of Directors, we have determined the claim against Secure Energy Services has merit and, accordingly, set a court date for early 2022 and non-binding mediation has been scheduled for late 2020.

Refer to note 26 of the Annual Financial Statements for disclosure of other legal and environmental matters.

IMPACT OF NEW ACCOUNTING STANDARDS

IFRS 16 was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 replaces International Accounting Standards ("IAS") 17 "Leases" ("IAS 17"), International Financial Reporting Interpretations Committee ("IFRIC") 4 "Determining Whether an Arrangement Contains a Lease", Standards Interpretation Committee ("SIC")15 "Operating Leases-Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases which requires lessees to account for operating leases under a single on-balance sheet model in a manner similar to the previous accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee recognizes a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset during the lease term.

Tervita elected to adopt IFRS 16 using the modified retrospective transition approach, whereby the right-of-use asset is measured at the value of the lease liability upon the date of initial application. The modified retrospective approach does not require restatement of prior periods. Tervita applied certain practical expedients available under this adopted approach and elected to apply recognition exemptions for short-term and low-value leases. As a lessee, Tervita's most

significant lease contracts relate to real estate, equipment, and surface rights. Tervita does not have any material lease agreements where Tervita acts as the lessor.

The complete impact of adopting IFRS 16 is disclosed in notes 2 and 11 of the Annual Financial Statements.

There were no changes to compliance with the financial covenants that form part of our long-term debt due on the adoption of IFRS 16, as the covenants will continue to be calculated based on lease accounting that would apply under IAS 17. Refer to the Covenant EBITDA in the Non-GAAP Measures section.

ACCOUNTING POLICIES

Tervita's significant accounting policies are included in note 2 of the Annual Financial Statements, which is updated for the impact of new accounting standards as described above.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates are those that require management to make judgments and estimates that affect the application of accounting policies and the reported assets, liabilities, revenues, expenses, gains, losses, and disclosures of off-balance sheet arrangements. These judgments and estimates are highly uncertain at the time the estimate is made and are subject to change based on experience and available information. Critical accounting estimates are also those estimates which, where a different estimate could have been used or where changes in the estimate that are reasonably likely to occur, could have a material impact on the company's financial condition, changes in financial condition, or financial performance.

The most significant accounting estimates and judgments used in the preparation of our Financial Statements are included in note 2 of the Annual Financial Statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Tervita's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the disclosure of information and reliability of external financial reporting and the preparation of the financial statements in accordance with IFRS. Tervita follows the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Chief Executive Officer and the Chief Financial Officer (collectively, the "Certifying Officers") have evaluated the design and effectiveness of DC&P and the operational effectiveness of our ICFR using COSO 2013. As at December 31, 2019, the Certifying Officers have concluded that such DC&P and ICFR were effective.

Management, including the Certifying Officers, does not expect that the Company's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. Based on their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and not absolute assurance that all control issues, misstatements, or instances of fraud, if any, within the Company have been detected.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of securities legislation. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to assumptions, risks and uncertainties, many of which are beyond the control of Tervita. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. These statements are not guarantees of future performance and are subject to risks, uncertainties and other key factors that could cause actual results or events to be materially different from those anticipated in such forward-looking statements.

Specific forward-looking statements contained in this MD&A include, amongst others, statements and management's beliefs, expectations or intentions regarding the following:

- Tervita's outlook for 2020, including expectations regarding Adjusted EBITDA growth, its approach to the allocation of Discretionary Free Cash Flow, its ability to continue to exercise capital discipline, its estimated preliminary growth and expansion budget and its expectations that maintenance capital will remain flat as compared to 2019;
- market and industry outlook with respect to commodity prices, upstream oil and gas production levels and drilling activity;
- continued business focus on the WCSB;
- that Tervita's strategy regarding cost control, incremental business improvements and optimization of our businesses will be successful;
- cash generated from operations, asset sales and amounts available under the credit facilities will be adequate to permit Tervita to meet its debt service obligations, ongoing costs of operations, working capital needs, and capital expenditure requirements;
- timing of the completion of capital projects and their impact on driving Adjusted EBITDA growth in 2020;
- liquidity, sources and uses of cash, and off-balance sheet arrangements; and
- Tervita's business strategies and objectives.

Forward-looking statements relating to our business contain uncertainties and assumptions, including the following:

- current economic and operating conditions, including commodity prices, interest rates, and environmental and regulatory matters;
- the ability of Tervita to obtain equipment, services, supplies and personnel to carry out its business activities;
- the ability of Tervita to successfully market its business in the areas in which it operates; that Tervita's current business environment will remain substantially unchanged;
- Tervita's ability to secure financing on acceptable terms, if needed;
- demand for services in Tervita's businesses can be adversely impacted by general economic conditions and Tervita is dependent on exploration, drilling and production activity levels in the markets where Tervita offers its services;
- risks related to limited pipeline capacity;
- the ability of management to execute its business plan;
- the risks of the environmental solutions industry, such as operational risks and market demand;
- risks inherent in Tervita's marketing operations, including credit risk;
- the uncertainty of estimates and projections relating to revenues, costs, expenses and capital expenditures;
- fluctuations in fuel, raw material costs, oil and natural gas prices, commodity prices, foreign currency exchange rates and interest rates;
- health, safety and environmental risks;
- uncertainties as to the availability and cost of financing;
- general economic conditions in Canada, the United States, and globally;
- industry conditions;
- the possibility that government policies or laws may change or governmental approvals may be delayed or withheld;
- governmental regulation of the environmental solutions industry, including environmental regulation;
- unanticipated operating events;
- failure to obtain third-party consents and approvals, when required;
- risks associated with existing and potential future lawsuits and regulatory actions against Tervita;
- the highly competitive nature of Tervita's markets, and competition that could adversely impact Tervita's financial position, results of operations, cash flows or its ability to make required payments on debt outstanding;
- global financial conditions are subject to increased volatility;
- legislative and regulatory initiatives related to hydraulic fracturing that could result in increased costs and additional operating restrictions or delays as well as adversely affect Tervita's support services;
- increasing concern regarding earthquake activity connected to oil/gas production and waste disposal wells could adversely affect Tervita's business;
- successful implementation of Tervita's investment and acquisition strategy;
- the difficulty of identifying and executing acquisitions on favorable terms, including successfully integrating businesses Tervita acquires, and its significant exposure from unknown liabilities related to Tervita's acquisitions;
- susceptibility to seasonality due to adverse weather conditions;

- risks related to transportation of petroleum products and waste water;
- risks related to any change in provincial royalty rates;
- risks related to First Nations consultation and claims and its effect on Tervita's ability to secure locations for capital projects and ability to operate;
- risks related to changes in industry practices related to crude oil equalization and declines in oil prices that may affect Tervita's energy marketing business;
- risk of implementation of controls or tariffs on competitor-owned pipelines which impede Tervita's ability to physically or economically access the pipelines that may affect its energy marketing business;
- Tervita's operations being subject to numerous natural disasters and operating hazards and the lack of assurance that such events will be covered by insurance or whether any such insurance coverage would be adequate;
- uncertainty around the impact of the US-Mexico-Canada agreement on Tervita's business;
- potential impairment losses in respect of Tervita's physical assets from reduced industry activity and a sustained decline in demand for services involving such assets;
- fluctuations in supply and demand for scrap metal prices;
- Tervita's ability to attract and retain qualified workers;
- dependence on Tervita's senior management, the loss of which could materially harm its business;
- obligation to comply with health and safety regulations at Tervita's facilities and its operations, the failure of which could result in significant liability and/or fines and penalties;
- failure by Tervita's employees to follow applicable procedures and guidelines or on-site accidents;
- deterioration in Tervita's safety record would harm its relationships with customers, make it less likely for customers to contract for its services and subject it to penalties and fines, which could adversely affect Tervita's business, operating results and financial condition;
- Tervita's obligation to comply with U.S. federal, state and local environmental laws and results;
- the inability of counterparties or customers to fulfill their obligation to Tervita;
- technology Tervita uses in its business is increasingly subject to protection by intellectual property rights;
- technology Tervita uses in its business is subject to security threats;
- Tervita's confidential information may be exposed due to third parties or technical malfunctions; and Tervita's ability to only provide reasonable assurance of its disclosure controls and procedures and its internal controls over financial reporting;
- Tervita's operational dependence on certain of its joint venture arrangements;
- the impact of pending and future legal proceedings on Tervita's business;
- the impact of environmental activism on Tervita's business;
- the impact of climate change and alternative energy sources on Tervita's business;
- possible conflict of interest between Tervita's major shareholders and Tervita's other shareholders;
- possible conflict of interest of Tervita's directors and officers.
- the possible effect of public health crises on Tervita's business; and
- Tervita's treating, recovery and disposal facilities, cavern disposal facilities and engineered landfill operations could be adversely affected by more stringent closure and post-closure obligations and a variety of other risks.

For a more detailed discussion of risks relating to Tervita, see our most recent AIF dated March 8, 2020. These factors should not be construed as exhaustive. The forward-looking statements included in this MD&A are made only as of the date hereof and Tervita does not undertake to publicly update these forward-looking statements for new information, future events, or otherwise, except as required by applicable laws. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

The estimates regarding Tervita's future financial performance, including estimates of preliminary growth and expansion budget of $50 million and maintenance capital of approximately $35 million, are based on assumptions about future events, including economic conditions and proposed course of action, based on management's assessment of the relevant information currently available. See the Outlook section. The estimates are based on the same assumptions and risk factors set forth above and are based on Tervita's historical results of operations. The financial outlook or potential financial outlook set forth in this MD&A was approved by management as of the date of this MD&A to provide investors with an estimation of the outlook for Tervita for 2020 and onwards, where applicable, and readers are cautioned that any such financial outlook contained herein should not be used for purposes other than those for which it is disclosed herein. The prospective financial information set forth in this MD&A has been prepared by management. Tervita's management believes that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgements, and represents, to the best of management's knowledge and opinion, Tervita's expected course of action in developing and executing its business strategy and growth opportunities relating to its business operations. However, actual results may vary from the prospective financial information set forth in this MD&A. See above for a discussion of the risks that could cause actual results to vary. The prospective financial information set forth in this MD&A should not be relied on as necessarily indicative of future results.

For additional information relating to Tervita, including our AIF, please see our profile on SEDAR, available at www.sedar.com.