TERVITA

MANAGEMENT'S DISCUSSION & ANALYSIS

November 7, 2019

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 nine months ended September 30, 2019 and as compared to the three and nine months ended September 30, 2018. This MD&A was approved by Tervita's Board of Directors on November 7, 2019 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: (i) our unaudited Interim Condensed Consolidated Financial Statements and accompanying notes (the "Interim Financial Statements") for the three and nine months ended September 30, 2019 and 2018; (ii) our audited annual Consolidated Financial Statements and accompanying notes (the "Annual Financial Statements") and MD&A (the "Annual MD&A") for the year ended December 31, 2018; our Annual Information Form ("AIF") dated March 13, 2019; and (iii) our MD&A for the three and nine months ended September 30, 2018.

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, "Q3" means the three months ended September 30 and "YTD" means the nine months ended September 30.

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 Annual MD&A 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. These adjustments did not affect reported Divisional EBITDA or Adjusted EBITDA, and are as follows:

	Three Months Ended September 30				Nine Months Ended September 30			
	2019	2018 Reported	PPA Adjustment	2018 Revised	**2019**	2018 Reported	PPA Adjustment	2018 Revised
Revenue	**611**	642	—	642	**1,732**	1,572	—	1,572
Operating expenses								
Direct expenses	**(535)**	(557)	—	(557)	**(1,524)**	(1,397)	—	(1,397)
General and administrative expenses	**(11)**	(14)	—	(14)	**(37)**	(35)	—	(35)
Depreciation and amortization	**(35)**	(32)	1	(31)	**(103)**	(64)	1	(63)
Restructuring costs	**(1)**	—	—	—	**(3)**	—	—	—
Impairment reversal (expense)	**4**	—	(2)	(2)	**6**	—	(2)	(2)
Operating profit (loss)	**33**	39	(1)	38	**71**	76	(1)	75
Finance costs	**(23)**	(21)	—	(21)	**(68)**	(48)	—	(48)
Transaction costs	**(2)**	(21)	(40)	(61)	**(6)**	(26)	(40)	(66)
Other income (expense)	**2**	1	(1)	—	**(1)**	—	(1)	(1)
Profit (loss) before tax	**10**	(2)	(42)	(44)	**(4)**	2	(42)	(40)

ABOUT TERVITA

Tervita is a leading waste and environmental solutions provider offering waste processing, treatment, recycling, and disposal services to customers in the oil and gas, mining, and industrial sectors. We serve our customers onsite and through a network of facilities in Canada and the United States ("US").

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, and production activity; landfill construction; specialized onsite services; waste management; oil terminalling; energy marketing; metals recycling; equipment rental; demolition; and decommissioning. Our network of facilities as at September 30, 2019 consisted of 105 active waste processing, disposal, and industrial facilities, including: 47 treatment, recovery, and disposal facilities ("TRDs"); seven stand-alone disposal wells; 23 engineered landfills (which included 18 owned sites, two sites operated under contract, and three sites that we market under contract for other landfill operators); three cavern disposal facilities; seven onsite facilities; four transfer stations; one naturally occurring radioactive material facility; eight bioremediation facilities; and five metals recycling facilities.

Tervita's activities are carried out 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, environmental construction and technologies, hazardous and non-hazardous waste management, 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 September 30				Nine Months Ended September 30			
	2019	2018	Increase (Decrease)	% Change	**2019**	2018	Increase (Decrease)	% Change
Energy Services revenue								
Facilities revenue	**101**	116	(15)	*(13)%*	**297**	259	38	*15 %*
Onsite revenue	**21**	21	—	*— %*	**61**	21	40	*190 %*
Energy marketing revenue	**420**	439	(19)	*(4)%*	**1,191**	1,129	62	*5 %*
	542	576	(34)	*(6)%*	**1,549**	1,409	140	*10 %*
Industrial Services revenue	**72**	69	3	*4 %*	**186**	168	18	*11 %*
Intersegment eliminations	**(3)**	(3)	—	*— %*	**(3)**	(5)	2	*40 %*
Revenue	**611**	642	(31)	*(5)%*	**1,732**	1,572	160	*10 %*
Revenue excluding energy marketing	**191**	203	(12)	*(6)%*	**541**	443	98	*22 %*
General and administrative expenses	**(11)**	(14)	(3)	*(21)%*	**(37)**	(35)	2	*6 %*
Net profit (loss)	**10**	(44)	54	*123 %*	**7**	(41)	48	*117 %*
- per share ($), basic and diluted	**0.09**	(0.38)	0.47	*124 %*	**0.06**	(0.38)	0.44	*116 %*
Adjusted EBITDA [1]	**65**	71	(6)	*(8)%*	**174**	141	33	*23 %*
- per share ($), basic and diluted	**0.56**	0.62	(0.06)	*(10)%*	**1.48**	1.30	0.18	*14 %*
Adjusted EBITDA margin [1]	**34 %**	35 %	(1)%		**32 %**	32 %	— %	
Energy Services Divisional EBITDA[1]	**64**	75	(11)	*(15)%*	**180**	154	26	*17 %*
Industrial Services Divisional EBITDA [1]	**12**	10	2	*20 %*	**29**	21	8	*38 %*
Divisional EBITDA [1]	**76**	85	(9)	*(11)%*	**209**	175	34	*19 %*
Capital additions	**42**	23	19	*83 %*	**87**	51	36	*71 %*
Discretionary free cash flow [1]	**47**	48	(1)	*(2)%*	**81**	81	—	*— %*
Adjusted Working Capital [1]	**38**	88	(50)	*(57)%*	**38**	88	(50)	*(57)%*
Shares as at September 30 (000's of shares) [2]								
Shares outstanding	**114,779**	117,557	(2,778)	*(2)%*	**114,779**	117,557	(2,778)	*(2)%*
Weighted average shares - basic	**116,356**	114,887	1,469	*1 %*	**117,101**	108,084	9,017	*8 %*
Weighted average shares - diluted	**116,640**	114,887	1,753	*2 %*	**117,365**	108,084	9,281	*9 %*

(1) *Refer to the section Non-GAAP Measures for definitions and reconciliation.*

(2) *As at November 7, 2019, the Company had 115,166,016 common shares, 2,702,649 common share purchase warrants, and 2,586,828 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 September 30				Nine Months Ended September 30			
	2019	2018	Increase (Decrease)	*% Change*	**2019**	2018	Increase (Decrease)	*% Change*
Average WTI (US$/bbl)[1]	**$ 56.40**	$ 69.43	$ (13.03)	*(19)%*	**$ 57.08**	$ 66.79	$ (9.71)	*(15)%*
Average Edmonton Mixed Sweet (US$/bbl)[1]	**$ 52.39**	$ 59.26	$ (6.87)	*(12)%*	**$ 52.52**	$ 59.15	$ (6.63)	*(11)%*
Average WCS (US$/bbl)[1]	**$ 43.88**	$ 41.58	$ 2.30	*6 %*	**$ 45.26**	$ 42.97	$ 2.29	*5 %*
Average AECO (C$/MMbtu)[1]	**$ 1.06**	$ 1.18	$ (0.12)	*(10)%*	**$ 1.18**	$ 1.42	$ (0.24)	*(17)%*
Average Oil Production (Mbbl/d) [2]	**1,450**	1,437	13	*1 %*	**1,448**	1,407	41	*3 %*
Average Gas Production (MMcf/d) [2]	**15,900**	15,994	(94)	*(1)%*	**15,820**	16,093	(273)	*(2)%*
Meters Drilled (000's of meters drilled) [3]	**4,080**	5,650	(1,570)	*(28)%*	**11,130**	15,010	(3,880)	*(26)%*
Foreign Exchange Rate (US$/C$) [4]								
Period End	**$ 0.76**	$ 0.77	$ (0.01)	*(1)%*	**$ 0.76**	$ 0.77	$ (0.01)	*(1)%*
Period Average	**$ 0.75**	$ 0.77	$ (0.02)	*(3)%*	**$ 0.75**	$ 0.78	$ (0.03)	*(4)%*

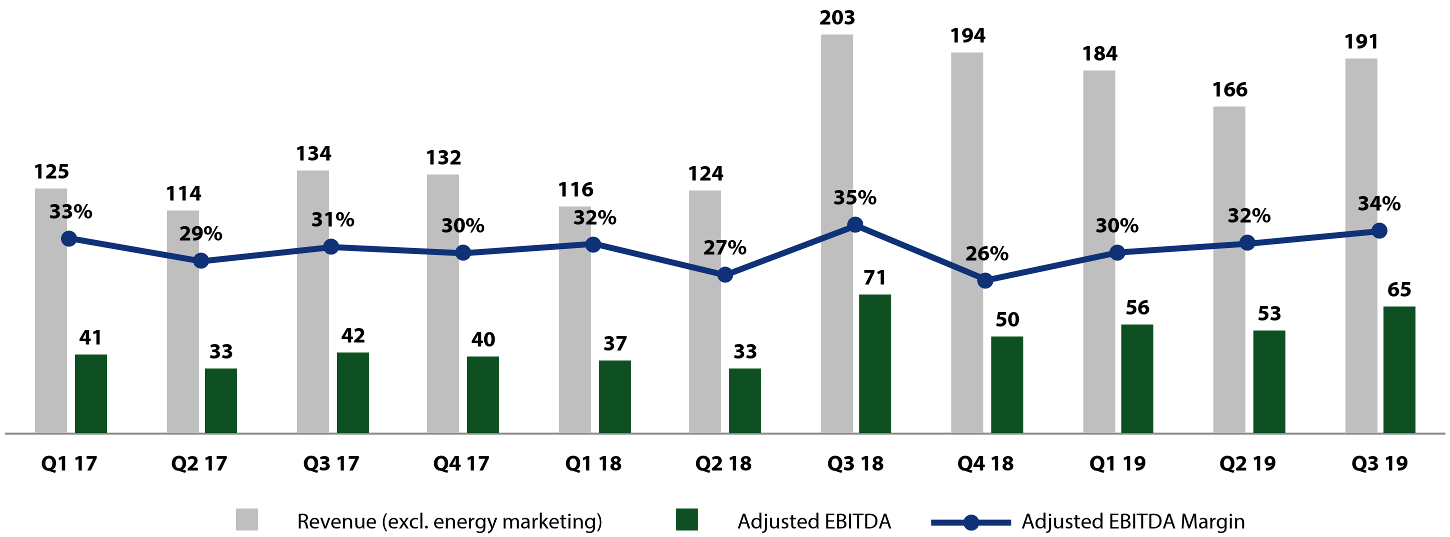
(1) *Information from Bloomberg.*

(2) *Information from National Energy Board, Estimated Production of Canadian Crude Oil and Equivalent and Marketable Natural Gas Production in Canada.*

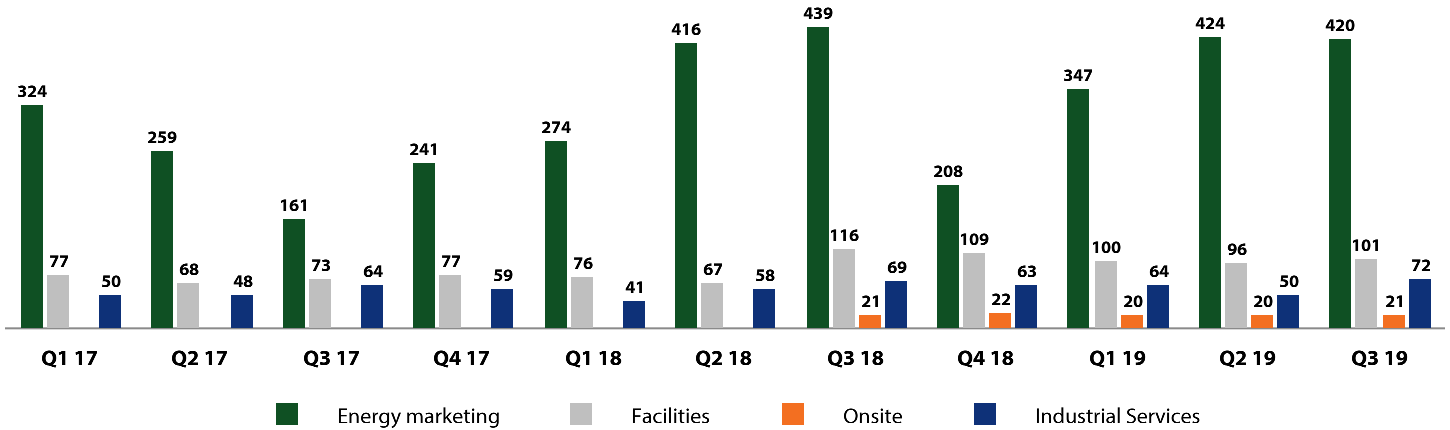
(3) *Information from JuneWarren-Nickle's Energy Group and pertains to Canada.*

(4) *Information from Bank of Canada.*

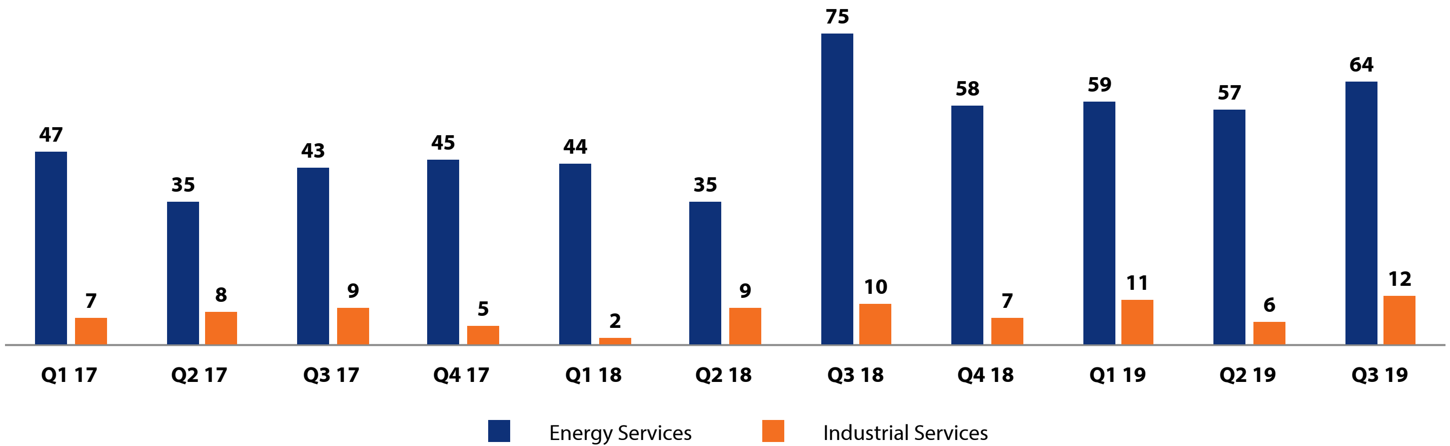
Quarterly Revenue and Adjusted EBITDA

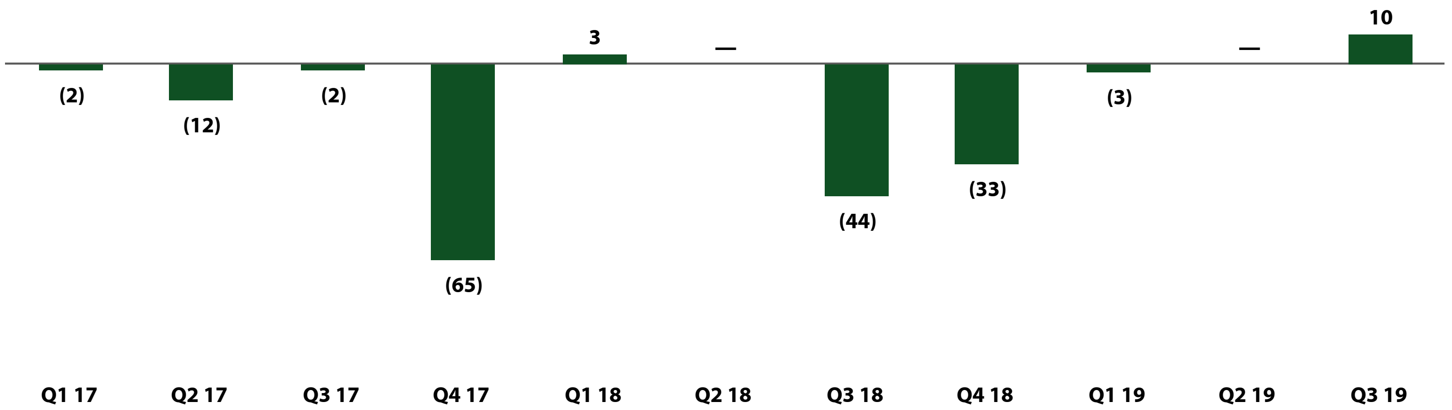


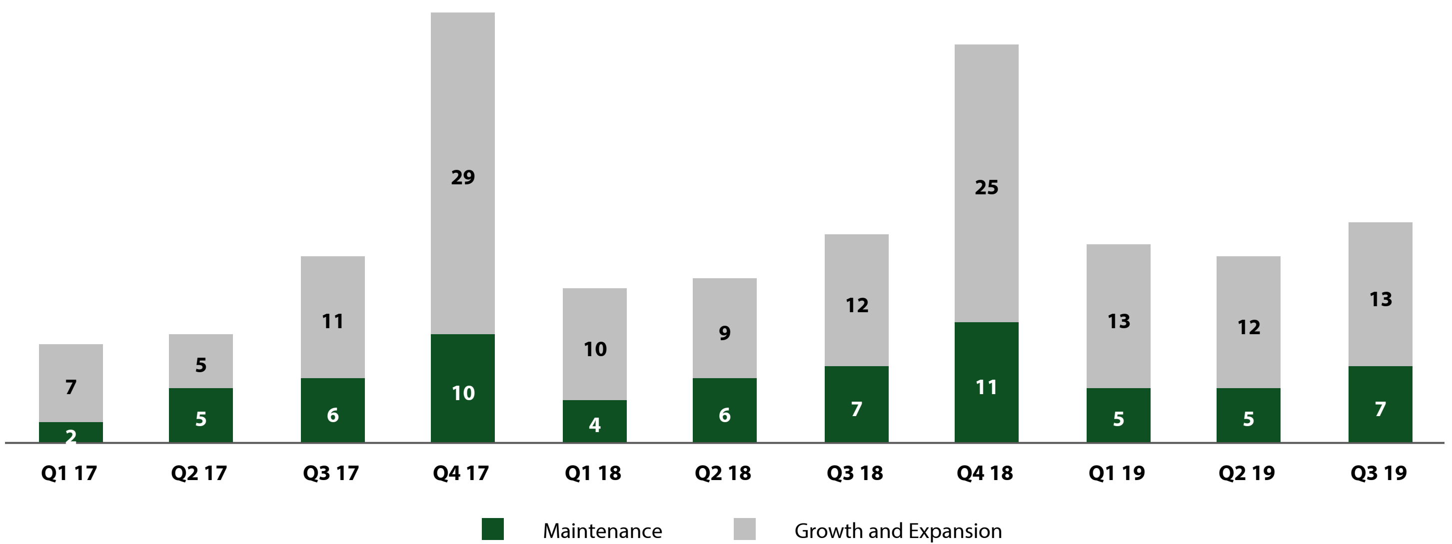
Revenue Before Intersegment Eliminations

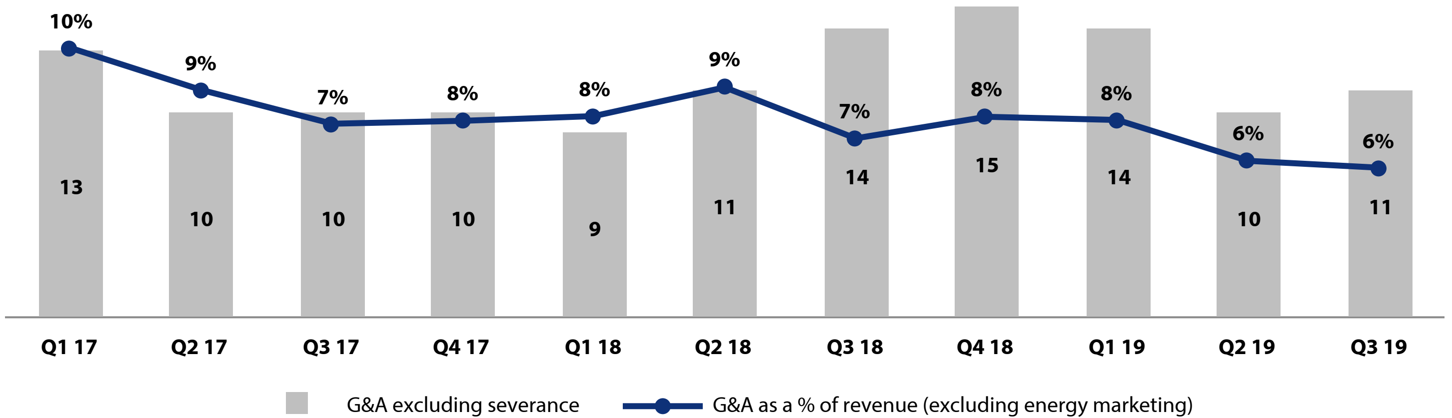


Divisional EBITDA




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


Capital Expenditure by Type
7
2
5
5
11
6
29
10
10
4
9
6
12
7
25
11
13
5
12
5
13
7
Q1 17
Q2 17
Q3 17
Q4 17
Q1 18
Q2 18
Q3 18
Q4 18
Q1 19
Q2 19
Q3 19
Maintenance
Growth and Expansion


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

THIRD QUARTER RESULTS

Overview and Highlights

- Q3 2019 Adjusted EBITDA was $65 million compared to $71 million in Q3 2018, representing a decrease of only 8% in an environment of declining commodity prices and a decrease of approximately 30% in drilling activity.
- Despite the decline in drilling activity and unusually wet weather, the decrease in Energy Services' Divisional EBITDA was limited to 15%, reflecting our stable production-based revenue and focus on cost control.
- Industrial Services' Divisional EBITDA increased 20% from Q3 2018, driven by growth from waste and environmental services, offset slightly by lower commodity prices.
- Repurchased 1,770,430 common shares for $12 million under the Normal Course Issuer Bid ("NCIB") announced on May 2, 2019.
- On track to deliver double-digit Adjusted EBITDA growth in 2019.

Q3 Revenue Decreases 5% to $611 Million

- Q3 2019 revenue of $611 million decreased by $31 million from the prior year. The decrease in revenue was primarily driven by an approximate 30% decline in drilling activity which led to lower waste and oil volumes across our facility network, partially offset by the impact of our stable production-based revenue and contributions from our 2018 investments in new facility infrastructure.
- Production-related volumes through our Energy Services facilities increased by 5% in Q3 2019 compared to Q3 2018, reflecting incremental volumes associated with our acquired facilities, however the impact of a shift to lower value waste streams led to an overall reduction in production-related revenue. Unusually wet weather in the quarter and challenging market conditions contributed to decreased drilling activity, which resulted in a 17% decrease to drilling-related revenue compared to the prior year. Weather also affected the timing of customer remediation activities, contributing to a 23% decrease in soil volumes and a decline in revenue from facilities.
- Energy marketing revenue decreased by 4% compared to the prior year due to lower prices when compared to the same quarter in 2018 as the year-over-year average West Texas Intermediate ("WTI") price decreased by US$13.03/bbl. The decrease in revenue from lower prices was partially offset by a 35% increase in marketed oil volumes, as we began marketing oil volumes from acquired Newalta facilities on January 1, 2019.
- Higher volumes through our waste services and metals recycling facilities drove higher revenue in Industrial Services, which increased by $3 million or 4%, despite lower rail services project activity and lower ferrous metal prices.

Q3 Divisional EBITDA Decreases by $9 Million or 11%

- Q3 2019 Divisional EBITDA of $76 million decreased $9 million from the prior year, aligned with the decrease in revenue, as explained above.
- Energy Services' Q3 2019 Divisional EBITDA of $64 million decreased $11 million or 15% from the prior year, primarily due to the decrease in activity partially offset by the impact of realized synergies from the Newalta transaction.
- Industrial Services' Q3 2019 Divisional EBITDA of $12 million was $2 million or 20% higher than Q3 2018, aligned with the increase in revenue.

Q3 Adjusted EBITDA Decreases by $6 Million or 8%

- Q3 2019 Adjusted EBITDA was $65 million, a $6 million decline from the prior year, as reduced Divisional EBITDA contributions were partially offset by a $3 million reduction to G&A expense, primarily related to synergies realized from the acquisition of Newalta.
- Q3 2019 Adjusted EBITDA Margin was 34%, relatively unchanged from the prior year.

Q3 Net Profit Increases by $54 Million

- Q3 2019 net profit was $10 million, a $54 million increase from the prior year, due mainly to lower transaction-related costs partially offset by the decrease in Adjusted EBITDA.

Q3 Capital Expenditures

- Cash spend for growth and expansion projects was $13 million in the quarter, and included the ongoing development of a new water disposal infrastructure project.
- Q3 2019 cash spend on maintenance capital was $7 million, in line with the prior year.

Q3 Discretionary Free Cash Flow

- Q3 2019 Discretionary Free Cash Flow was $47 million, relatively unchanged from the prior year.

YEAR TO DATE RESULTS

YTD Revenue Increases 10% to $1,732 Million

- YTD 2019 revenue of $1,732 million increased by $160 million over the same period in the prior year. In Energy Services, increases from higher waste and oil volumes and the addition of the onsite business associated with the acquisition of Newalta in Q3 2018 were partially offset by the decrease in industry activity. Industrial Services revenue increased $18 million or 11%, primarily driven by increased volumes through waste services facilities, increased project activity in environmental services and rail services, and higher ferrous and non-ferrous metal volumes.
- Production-related volumes through our Energy Services facilities increased by 20% in YTD 2019 compared to the prior year, primarily driven by our expanded facility network. Drilling-related revenue was consistent with prior year, reflecting decreased drilling activity offset by incremental volumes associated with acquired facilities. Soil volumes increased by 10% due to increased customer remediation activity, contributing additional revenue at our facilities.
- Energy marketing revenue increased by 5% compared to the prior year as 35% higher marketed oil volumes were partially offset by lower prices.

YTD Divisional EBITDA Increases by $34 Million or 19%

- YTD 2019 Divisional EBITDA of $209 million was a $34 million increase over the same period in the prior year, aligned with the increase in revenue, as explained above.
- Energy Services' YTD 2019 Divisional EBITDA of $180 million increased $26 million over the prior year, primarily driven by our acquisition of Newalta and realization of related synergies. Divisional EBITDA margin percentages decreased by 5 percentage points over prior year to 50%, primarily due to the impact of the acquisition of the lower margin onsite business.
- Industrial Services' YTD 2019 Divisional EBITDA of $29 million was $8 million or 38% higher than YTD 2018, primarily driven by improved margins in our waste and environmental services businesses due to our continued focus on optimization and cost management.

YTD Adjusted EBITDA Increases by $33 Million or 23%

- YTD 2019 Adjusted EBITDA was $174 million, a 23% improvement over the same period in the prior year. This improvement reflects the increased Divisional EBITDA contributions as well as the adoption of the new lease accounting standard (refer to Impact of New Accounting Standards section), partially offset by increased G&A expense from acquired Newalta corporate activities.
- YTD 2019 Adjusted EBITDA Margin was 32%, consistent with 2018.

YTD Net Profit Increases by $48 million or 117%

- The YTD 2019 net profit of $7 million was a $48 million increase from the prior year, primarily due to the increase in Adjusted EBITDA, the decrease in transaction costs, and the income tax recovery, partially offset by the increase in depreciation resulting from the acquisition and the adoption of the new lease accounting standard (refer to Impact of New Accounting Standards section).

YTD Capital Expenditures

- YTD 2019 cash expenditures for growth and expansion projects was $38 million, which included the drilling of new disposal wells, landfill cell and cavern expansions, and the purchase of new rail cars to increase capacity for our metals recycling business.
- YTD 2019 cash expenditures on maintenance capital was $17 million, in line with the prior year.

YTD Discretionary Free Cash Flow

- YTD 2019, Tervita generated $81 million of Discretionary Free Cash Flow, in line with the prior year. Discretionary Free Cash Flow was more than sufficient to fund the $38 million of growth and expansion capital expenditures in YTD 2019.

OUTLOOK

MARKET OUTLOOK

- Tervita demonstrated strength in its operating and financial results through the first nine months of 2019, delivering a 23% increase in Adjusted EBITDA over the prior year despite industry-wide activity declines and challenging weather conditions, benefiting from our stable base of production-related volumes, continued focus on cost control, and delivering on the Newalta acquisition synergies.
- For the remainder of the year, we anticipate stable WTI prices of approximately US$55/bbl, with some widening of Canadian oil price differentials and expect drilling and completion activity to remain lower than 2018.
- We continue to expect that the contribution from a full year of Newalta operations and related integration synergies, contributions from growth capital additions, and steady improvements from our Industrial Services businesses will result in double-digit growth in Tervita's Adjusted EBITDA in 2019 compared to 2018. We continue to expect annual 2019 Adjusted EBITDA Margin to remain stable in the 30% - 32% range.
- Looking forward to 2020, we anticipate Adjusted EBITDA growth driven by contributions from:
  - our ongoing focus on cost control and incremental business improvements in our Energy Services segment;
  - the continued optimization of our waste and environmental services businesses in the Industrial Services segment; and
  - our predominantly customer-backed 2019 investments in growth capital projects, which are primarily focused on increasing our water handling capacity in the Montney region and enhancing our clean oil energy marketing capabilities.

  In a stable environment reflecting activity levels and commodity prices consistent with 2019, we would expect these initiatives to drive double-digit Adjusted EBITDA growth in 2020. Recent uncertainty in 2020 outlook for industry activity and commodity prices could temper these growth expectations.

CAPITAL

- Our Q3 2019 capital additions were $42 million ($32 million growth and expansion and $10 million maintenance) and YTD 2019 capital additions were $87 million ($64 million growth and expansion and $23 million maintenance).
- For the full year, we estimate total capital additions to be at the higher end of our previously disclosed range of $120 - $135 million, which is comprised of growth and expansion of $90 - $100 million and maintenance of $30 - $35 million.

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 Interim Condensed 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 three and nine months ended September 30, 2018 included financial results for Newalta from the Acquisition Date.

For the three and nine months ended September 30, Tervita's net profit (loss) was reconciled to Adjusted EBITDA as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Net profit (loss)	**10**	(44)	**7**	(41)
Add back:				
Severance costs (excluding restructuring and Newalta transaction costs)	**—**	—	**3**	1
Depreciation and amortization	**35**	31	**103**	63
Restructuring costs	**1**	—	**3**	—
Impairment expense (reversal)	**(4)**	2	**(6)**	2
Finance costs	**23**	21	**68**	48
Transaction costs	**2**	61	**6**	66
Other expense (income)	**(2)**	—	**1**	1
Income tax expense (recovery)	**—**	—	**(11)**	1
Adjusted EBITDA	**65**	71	**174**	141
Adjusted EBITDA margin	***34 %***	*35 %*	***32 %***	*32 %*

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 nine months ended September 30, Divisional EBITDA was as follows:

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2019	2018	**2019**	2018
Net profit (loss)	**10**	(44)	**7**	(41)
Add back:				
Severance costs (excluding restructuring and Newalta transaction costs)	**—**	—	**3**	1
Depreciation and amortization	**35**	31	**103**	63
Restructuring costs	**1**	—	**3**	—
Impairment expense (reversal)	**(4)**	2	**(6)**	2
Finance costs	**23**	21	**68**	48
Transaction costs	**2**	61	**6**	66
Other expense (income)	**(2)**	—	**1**	1
Income tax expense (recovery)	**—**	—	**(11)**	1
Adjusted EBITDA	**65**	71	**174**	141
Add back:				
General and administrative expenses	**11**	14	**37**	35
Severance costs in general and administrative expenses	**—**	—	**(2)**	(1)
Divisional EBITDA	**76**	85	**209**	175
Divisional EBITDA by reporting segment				
Energy Services	**64**	75	**180**	154
Industrial Services	**12**	10	**29**	21
Divisional EBITDA	**76**	85	**209**	175
Divisional EBITDA Margin				
Energy Services	***52 %***	*55 %*	***50 %***	*55 %*
Industrial Services	***17 %***	*14 %*	***16 %***	*13 %*

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 other purposes. 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 composition of 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 nine months ended September 30, Discretionary Free Cash Flow was as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Funds from (used in) operations	**56**	53	**107**	92
Less:				
Cash spend on maintenance capital	**(7)**	(7)	**(17)**	(17)
Payment of principal portion of lease liabilities	**(4)**	(1)	**(13)**	(1)
Add:				
Proceeds on disposition of long-lived assets	**1**	3	**2**	7
Sublease payments received	**1**	—	**2**	—
Discretionary Free Cash Flow	**47**	48	**81**	81

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 an appropriate 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 September 30, 2019 was as follows:

	LTM September 30 2019
Net profit (loss)	**(26)**
Add back:	
Severance costs (excluding restructuring and Newalta transaction costs)	**3**
Depreciation and amortization	**136**
Restructuring costs	**3**
Impairment expense (reversal)	**17**
Finance costs	**89**
Transaction costs	**9**
Other expense (income)	**4**
Income taxes expense (recovery)	**(11)**
Adjusted EBITDA (LTM)	**224**

	As at September 30 2019
Long-term debt	**788**
Derivative liabilities	**1**
Less: unrestricted cash and cash equivalents	**(81)**
Net debt	**708**
Net Debt to Adjusted EBITDA (LTM)	***3.16***

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 September 30, 2019 was as follows:

	LTM September 30 2019
Net profit (loss)	**(26)**
Add back:	
Depreciation and amortization	**136**
Restructuring costs	**3**
Impairment expense (reversal)	**17**
Finance costs	**89**
Transaction costs	**9**
Other expense (income)	**4**
Income taxes expense (recovery)	**(11)**
Eligible adjustments:	
Severance costs (excluding Newalta transaction costs)	**3**
Adjusted EBITDA of unrestricted subsidiaries	**(2)**
Impact of new accounting standards (IFRS 16)	**(6)**
Covenant EBITDA	**216**

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 September 30	
	2019	2018
Trade and other receivables	**215**	225
Inventory	**11**	18
Other current assets	**14**	10
Trade and other payables	**(198)**	(165)
Other current liabilities	**(4)**	—
Adjusted Working Capital	**38**	88

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.

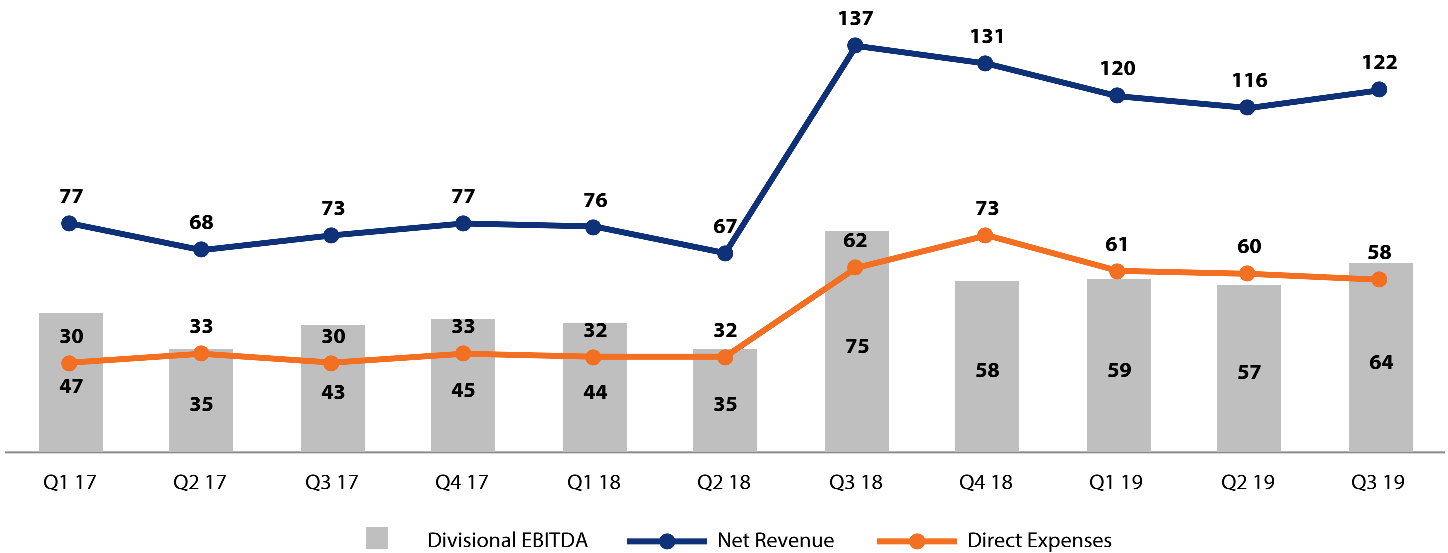
Onsite represents specialized services provided on a customer's site including the use of centrifugation or other processes for heavy oil producers involved in mining and in situ production, as well as the supply and operation of drill site processing equipment, including equipment for solids control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

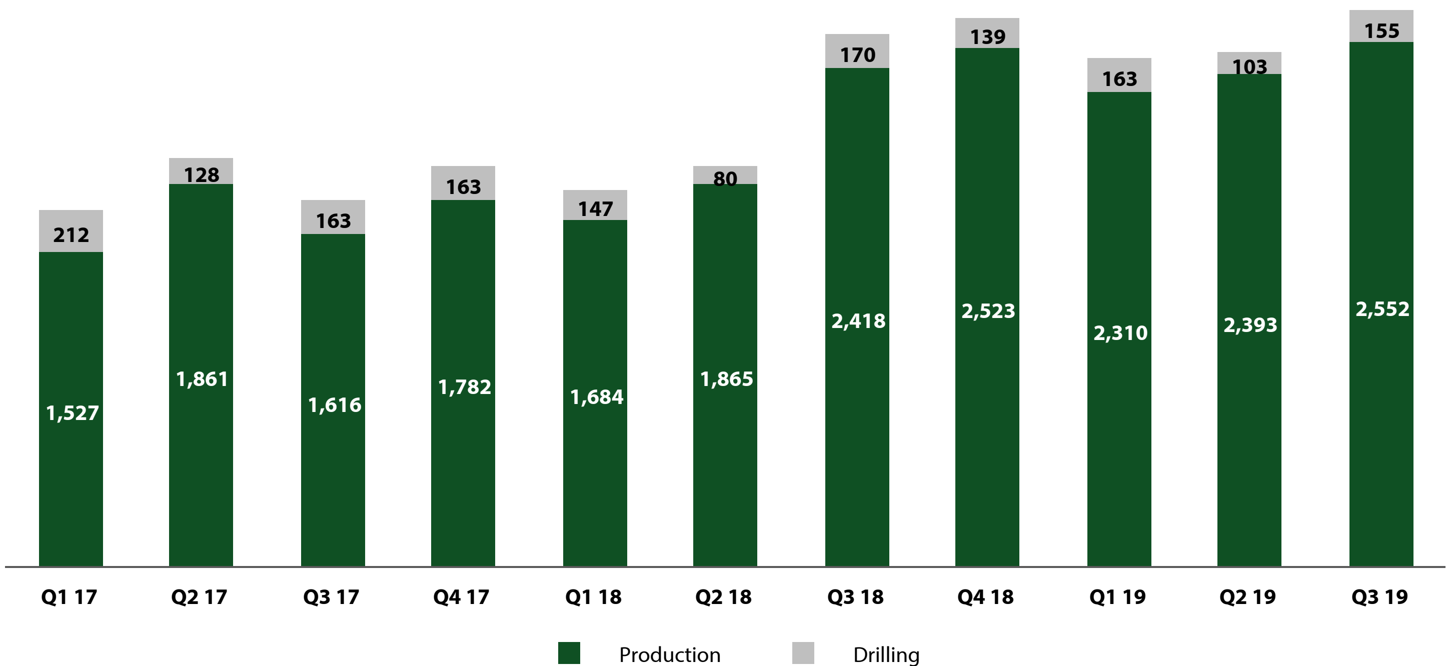
Energy marketing represents activities related to the purchase and resale of oil volumes associated with terminalling, treatment, recovery, and disposal services. Revenue and direct expenses for energy marketing activities are recorded at the purchased cost of oil. Revenue related to services provided 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 September 30				Nine Months Ended September 30			
	2019	2018	Increase (Decrease)	% Change	**2019**	2018	Increase (Decrease)	% Change
Facilities revenue	**101**	116	(15)	(13)%	**297**	259	38	15 %
Onsite revenue	**21**	21	—	— %	**61**	21	40	190 %
Energy marketing revenue	**420**	439	(19)	(4)%	**1,191**	1,129	62	5 %
Less: energy marketing direct expenses	**(420)**	(439)	19	4 %	**(1,191)**	(1,129)	(62)	(5)%
Net Energy Services revenue	**122**	137	(15)	(11)%	**358**	280	78	28 %
Facilities and onsite direct expenses	**(58)**	(62)	(4)	(6)%	**(179)**	(126)	53	42 %
Depreciation and amortization	**(29)**	(27)	2	7 %	**(88)**	(53)	35	66 %
Impairment reversal (expense)	**—**	(4)	(4)	(100)%	**4**	(4)	(8)	(200)%
Operating profit (loss)	**35**	44	(9)	(20)%	**95**	97	(2)	(2)%
Finance costs	**(3)**	(3)	—	— %	**(9)**	(7)	2	29 %
Transaction costs	**—**	(12)	(12)	*(100)%*	**—**	(12)	(12)	*(100)%*
Other income (expense)	**1**	—	(1)	(100)%	**1**	3	2	67 %
Net profit (loss)	**33**	29	4	14 %	**87**	81	6	7 %
Divisional EBITDA [1]	**64**	75	(11)	(15)%	**180**	154	26	17 %
Divisional EBITDA Margin [1]	***52 %***	*55 %*	*(3)%*		***50 %***	*55 %*	*(5)%*	

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

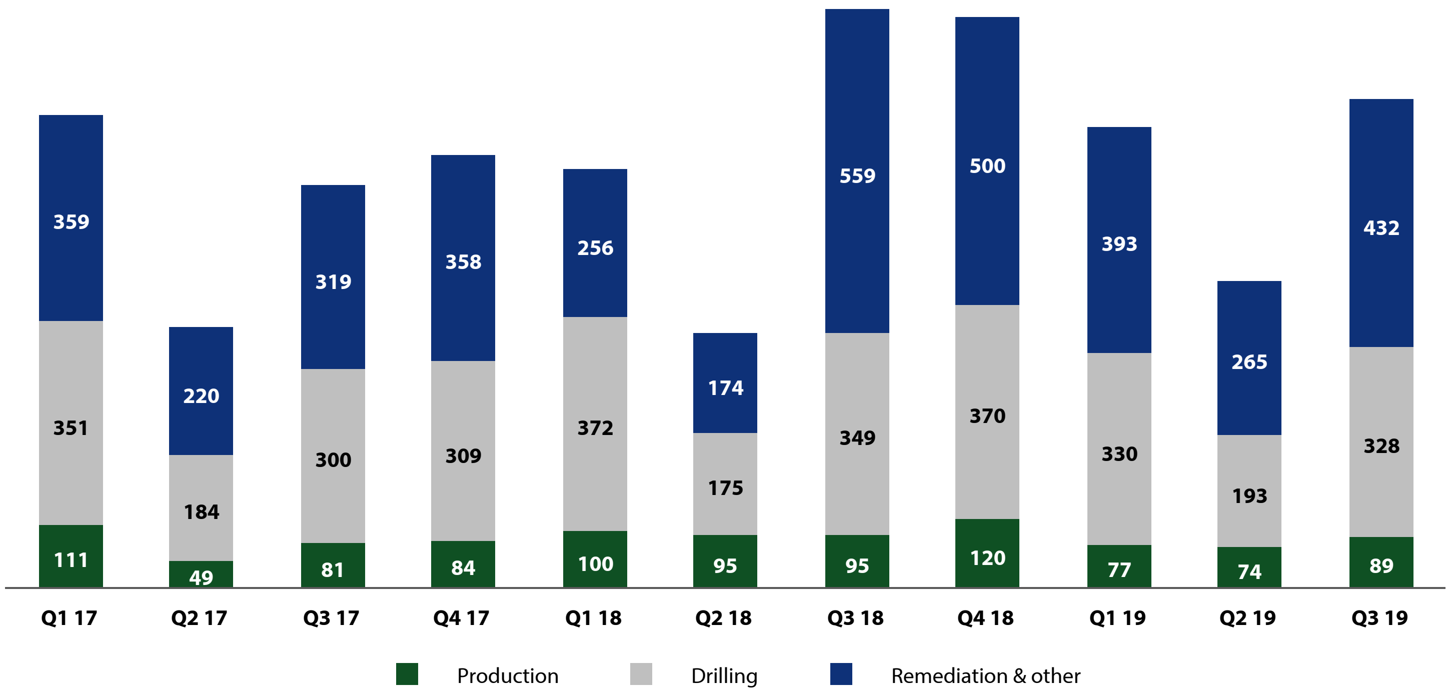




Production volumes are related to oil and gas production operations and include volumes for treatment, terminalling, and disposal activities for liquid waste from emulsion and produced water.

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)

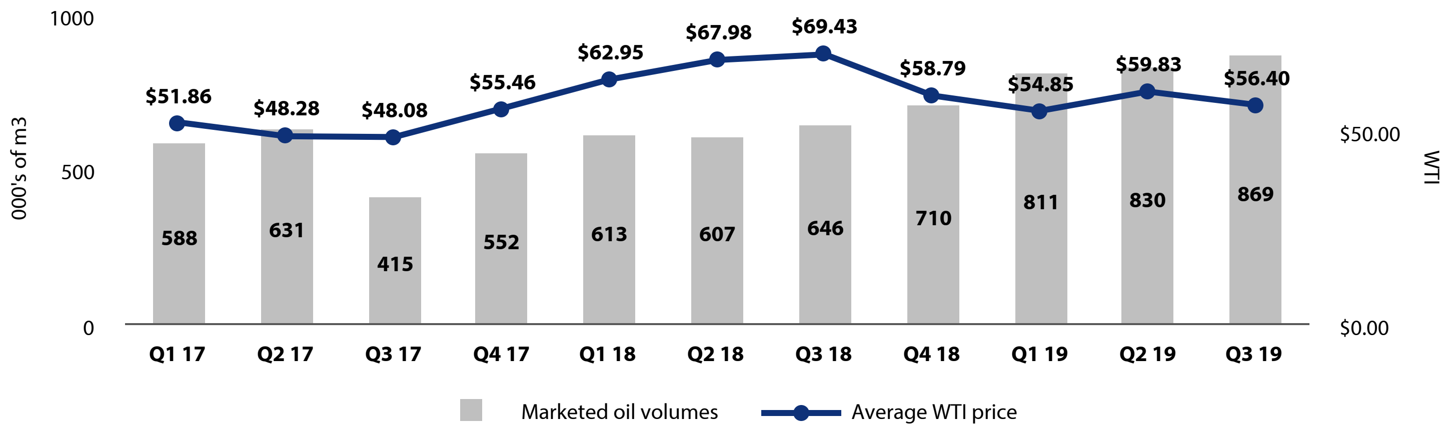


Production volumes are related to oil and gas production operations and include volumes for disposal activities for solids waste from emulsions.

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

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 Third Quarter Results

Q3 Divisional EBITDA Decreases by $11 Million to $64 Million

- Energy Services' Divisional EBITDA decreased by 15% in Q3 2019 compared to the prior year, as a 5% increase in production-related volumes was more than offset by a shift to lower value waste streams, a 23% decrease in soil volumes from customer remediation activity, and a 7% decline in drilling-related volumes.
- Divisional EBITDA Margin for Q3 2019 was 52% compared to 55% in Q3 2018, reflecting the impact of acquired lower-margin Newalta onsite services, as well as the impact of the unusually wet weather in Q3 2019.

Q3 Net Profit of $33 Million

- Energy Services' Q3 2019 net profit was $33 million, a $4 million increase from Q3 2018 due to decreased transaction costs and impairment expense, partially offset by lower contributions from Divisional EBITDA.

Q3 Net Revenue Decreases $15 Million to $122 Million

- The 11% or $15 million decrease in Energy Services net revenue in Q3 2019 compared to prior year was primarily due to the approximate 30% decline in industry activity, partially offset by the impact of our stable production-based revenue, the full quarter impact of the Newalta acquisition, and contributions from our 2018 growth and expansion capital investments which provided additional waste disposal, storage, and blending capacity.
- Total volumes at our TRD facilities increased by 5% over prior year as a result of our acquisition of Newalta. Production-related revenue declined as increased volumes were offset by a change in product mix related to the vertical integration of disposal capacity by some producers, particularly for produced water in key regions. Drilling-related volumes and revenues decreased primarily due to reduced drilling activity and unusually wet weather, partially offset by the full period impact of our acquisition of Newalta.
- Total volumes at our landfills decreased by 15% in Q3 2019 compared to the prior year. Soil volumes received from customer remediation projects decreased 23%, and drilling-related volumes and associated revenue in the quarter decreased from the prior year due to the decrease in drilling activity and unusually wet weather.
- Our investment in Newalta introduced onsite services, a new complement of service offerings for our customers, particularly heavy oil producers. Onsite services contributed 17% of our net Energy Services revenue for the quarter, compared to 15% in 2018.
- Energy marketing revenue decreased by 4% compared to the prior year due to lower prices as the year-over-year average WTI price decreased. This was partially offset by a 35% increase in marketed oil volumes, as we began marketing volumes from acquired Newalta facilities on January 1, 2019.

Energy Services Year to Date Results

YTD Divisional EBITDA Increases by $26 Million to $180 Million

- YTD 2019 Divisional EBITDA increased by 17% over the prior year, reflecting contributions from our expanded network and realized transaction synergies. Our acquisition of Newalta in Q3 2018 contributed to a 20% increase in production-related volumes through our facilities while drilling-related volumes decreased 2% as gains from acquired facilities were offset by the decline in drilling activity. The adoption of the new lease accounting standard resulted in a $2 million improvement in Divisional EBITDA (refer to Impact of New Accounting Standards section).
- Energy Services' Divisional EBITDA Margin for YTD 2019 was 50% compared to 55% in 2018, driven by the addition of lower-margin Newalta onsite services, as well as the impact of the unusually wet weather in Q3 2019.

YTD Net Profit of $87 Million

- Energy Services' YTD 2019 net profit was $87 million, a $6 million increase 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.

YTD Net Revenue Increases $78 Million to $358 Million

- The 28% or $78 million increase in Energy Services' net revenue for YTD 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.

- YTD 2019 TRD facilities volumes increased by 21% primarily driven by the Newalta acquisition. Revenue from these increased volumes was impacted by lower realized prices due to a change in product mix related to the vertical integration of disposal capacity by some producers, particularly for produced water in key regions.
- Landfill volumes were consistent with prior year as the impact of the decline in drilling activity was offset by the acquisition of Newalta. Soil volumes received from customer remediation projects increased 10% for YTD 2019 over the prior year.
- Onsite services contributed 17% of net revenue YTD.
- Energy marketing revenue increased by 5% compared to the prior year due to a 35% increase in marketed oil volumes as we began marketing oil volumes from acquired Newalta facilities at the beginning of 2019. The gains from increased volumes were partially offset by lower prices as the decrease in average WTI price more than offset stronger Canadian differentials driven by the curtailments imposed by the Government of Alberta.

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 waste transportation and classification; and project-based services including site remediation, facility decommissioning, environmental construction and technologies, emergency response, and rail services.

Industrial Services Financial Highlights

	Three Months Ended September 30				Nine Months Ended September 30			
	2019	2018	Increase (Decrease)	% Change	**2019**	2018	Increase (Decrease)	% Change
Commodity-based sales	**11**	12	(1)	(8)%	**36**	35	1	3 %
Facility-based services	**13**	8	5	63 %	**33**	23	10	43 %
Project-based services	**48**	49	(1)	(2)%	**117**	110	7	6 %
Total revenue	**72**	69	3	4 %	**186**	168	18	11 %
Direct expenses	**(60)**	(59)	1	2 %	**(157)**	(147)	10	7 %
Depreciation and amortization	**(4)**	(2)	2	100 %	**(10)**	(7)	3	43 %
Restructuring costs	**(1)**	—	1	100 %	**(3)**	—	3	100 %
Impairment reversal (expense)	**—**	(1)	(1)	(100)%	**—**	(1)	(1)	(100)%
Operating profit (loss)	**7**	7	—	— %	**16**	13	3	23 %
Finance costs	**—**	—	—	— %	**(1)**	—	1	100 %
Other income (expense)	**2**	1	1	100 %	**2**	(1)	3	300 %
Net profit (loss)	**9**	8	1	13 %	**17**	12	5	42 %
Divisional EBITDA [(1)]	**12**	10	2	20 %	**29**	21	8	38 %
Divisional EBITDA Margin [(1)]	***17 %***	*14 %*	*3 %*		***16 %***	*13 %*	*3 %*	

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

Industrial Services Third Quarter Results

Q3 Divisional EBITDA Contributes $12 Million With Divisional EBITDA Margin of 17%

- Industrial Services' Q3 2019 Divisional EBITDA increased $2 million or 20% over the prior year. This increase was primarily driven by higher waste volumes at our waste services facilities combined with optimization and effective cost control programs, partially offset by the impact of lower ferrous and non-ferrous metal prices.
- These improvements drove a three percentage point increase to Industrial Services' Q3 2019 Divisional EBITDA Margin year-over-year.

Q3 Net Profit of $9 Million Driven by Higher Divisional EBITDA

- Industrial Services' Q3 2019 net profit of $9 million was a $1 million improvement compared to the same period in 2018, primarily due to higher Divisional EBITDA.

Q3 2019 Revenue of $72 Million a 4% Increase Over Q3 2018

- Third quarter revenue increased $3 million or 4% compared to prior year, primarily due to higher waste volumes received at our facilities and increased ferrous and non-ferrous metal volumes. This was partially offset by lower ferrous metal prices, as well as lower rail services project activity.

Industrial Services Year to Date Results

YTD Divisional EBITDA Contributes $29 Million With Divisional EBITDA Margin of 16%

- YTD 2019 Divisional EBITDA of $29 million increased $8 million or 38% 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 ferrous metal volumes, continued focus on optimization and cost control, and the adoption of the new lease accounting standard ($2 million - refer to Impact of New Accounting Standards section).
- Divisional EBITDA Margin improved by three percentage points YTD 2019 as compared to the prior year, due to these improvements.

YTD Net Profit of $17 Million Driven by Higher Divisional EBITDA

- YTD 2019 net profit of $17 million was a $5 million improvement compared to 2018, primarily driven by Divisional EBITDA improvements, partially offset by $3 million of restructuring costs. This restructuring targeted non-profitable services lines, consolidation of overheads, and focusing our operations in Western Canada.

YTD 2019 Revenue of $186 Million a 11% Increase Over YTD 2018

- Industrial Services' YTD 2019 revenue increased $18 million or 11% compared to YTD 2018. This was primarily due to an increase in waste volumes received through facilities and increased rail services projects activity, partially offset by lower ferrous metal prices.

CORPORATE

	Three Months Ended September 30				Nine Months Ended September 30			
	2019	2018	Increase (Decrease)	% Change	**2019**	2018	Increase (Decrease)	% Change
Revenue - intersegment eliminations	**(3)**	(3)	—	— %	**(3)**	(5)	(2)	(40)%
Direct costs - intersegment eliminations	**3**	3	—	— %	**3**	5	2	40 %
General and administrative expenses	**(11)**	(14)	(3)	(21)%	**(37)**	(35)	2	6 %
Depreciation and amortization	**(2)**	(2)	—	— %	**(5)**	(3)	2	67 %
Impairment reversal (expense)	**4**	3	(1)	(33)%	**2**	3	1	33 %
Finance costs	**(20)**	(18)	2	11 %	**(58)**	(41)	17	41 %
Transaction costs	**(2)**	(49)	(47)	(96)%	**(6)**	(54)	(48)	(89)%
Other income (expense)	**(1)**	(1)	—	— %	**(4)**	(3)	1	33 %
Income tax recovery (expense)	**—**	—	—	— %	**11**	(1)	(12)	(1,200)%
Total corporate expenses	**(32)**	(81)	(49)	(60)%	**(97)**	(134)	(37)	(28)%
G&A as a % of revenue (excl. energy marketing)	***6 %***	*7 %*	*(1)%*		***7 %***	*8 %*	*(1)%*	

General and Administrative Expenses

- G&A expenses for Q3 2019 decreased by $3 million compared to 2018, driven primarily by synergies from the acquisition of Newalta and the $1 million impact from the adoption of the new lease accounting standard (refer to Impact of New Accounting Standards section).
- YTD 2019 G&A expenses increased by $2 million over 2018 due to higher employee-related costs associated with the acquisition of Newalta, offset largely by related synergies and lower expense of $2 million related to the adoption of the new lease accounting standard (refer to Impact of New Accounting Standards section).

Finance Costs

	Three Months Ended September 30				Nine Months Ended September 30			
	2019	2018	Increase (Decrease)	*% Change*	**2019**	2018	Increase (Decrease)	*% Change*
Interest on long-term debt	**(17)**	(15)	2	*13 %*	**(47)**	(36)	11	*31 %*
Amortization of debt issue costs	**(2)**	(3)	(1)	*(33)%*	**(7)**	(5)	2	*40 %*
Interest on obligations under leases	**(1)**	—	1	*100 %*	**(4)**	—	4	*100 %*
Finance costs	**(20)**	(18)	2	*11 %*	**(58)**	(41)	17	*41 %*

- Finance costs increased in Q3 2019 compared to prior year as a result of 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), as well as lower interest income compared to prior year due to interest earned on funds held in escrow in Q3 2018.
- Finance costs increased YTD 2019 compared to the same periods in 2018 primarily due to the issuance of the additional US$250 million senior secured notes in June 2018 for the acquisition of Newalta that resulted in increased interest and amortization of debt issue costs. In addition, interest expense was recognized on lease liabilities (refer to Impact of New Accounting Standards section).

Transaction Costs

- Transaction costs in 2018 included $12 million of expenses incurred for the completion of the Arrangement and Joint Information Circular with Newalta, $14 million of integration costs, including those related to severance, branding, site suspension, employee compensation, onerous contracts, and information technology, and $28 million of non-cash impairment expense on related decommissioning obligations.

Income Tax Recovery (Expense)

- In YTD 2019, we resolved certain tax matters relating to prior periods and recorded an income tax recovery of $11 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 September 30, 2019 included: (i) an undrawn $275 million revolving credit facility; and (ii) US $610 million senior secured notes, issued December 2016 (US$360 million) and July 2018 (US$250 million). 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 September 30, 2019, Tervita had $75 million in letters of credit ("LCs") issued against our revolving credit facility. The remaining $200 million of capacity, combined with $81 million of cash and cash equivalents, provided $281 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 nine months ended September 30, 2019, Tervita generated $110 million (September 30, 2018 - $55 million) of cash from operations (net of working capital and including decommissioning activities) and invested approximately $55 million (September 30, 2018 - $48 million) in property, plant and equipment and intangible assets. Tervita did not require any additional liquidity to support continuing operations.

Adjusted Working Capital at September 30, 2019 was $38 million (September 30, 2018 - $88 million). The decrease in Adjusted Working Capital was primarily due to the increase in trade and other payables. Adjusted Working Capital is sufficient to meet our planned strategy and achieve intended results.

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

For the nine months ended September 30, 2019, Discretionary Free Cash Flow was $81 million, consistent with 2018. 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 nine months ended September 30, 2019 Discretionary Free Cash Flow was more than sufficient to fund the $38 million of growth and expansion capital expenditures.

Net Debt to Adjusted EBITDA (LTM) at September 30, 2019 was 3.16.

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 September 30, 2019, Tervita had cash and cash equivalents of $81 million.

Revolving Credit Facility

At September 30, 2019, $200 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 September 30, 2019 as follows:

	Required	Achieved
Total Leverage Ratio	Less than 4.50	3.40
Secured Leverage Ratio	Less than 2.50	—
Interest Coverage Ratio	Greater than 2.00	3.27

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 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 three and nine months ended September 30 was as follows:

	Three Months Ended September 30				Nine Months Ended September 30			
	2019	2018	Increase (Decrease)	% Change	**2019**	2018	Increase (Decrease)	% Change
Capital additions	**42**	23	19	*83 %*	**87**	51	36	*71 %*
Change in capital accruals	**(22)**	(4)	(18)	*(450)%*	**(32)**	(3)	(29)	*(967)%*
Capital expenditures (cash)	**20**	19	1	*5 %*	**55**	48	7	*15 %*
Growth and expansion	**13**	12	1	8 %	**38**	31	7	23 %
Maintenance	**7**	7	—	— %	**17**	17	—	— %

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.

In 2019, we continued to identify, plan, and execute a growth capital portfolio. Refer to the Outlook section for a discussion of expected capital additions for 2019.

NCIB

On May 7, 2019, we commenced a NCIB to repurchase common shares with a value of up to $20 million until May 6, 2020. As at September 30, 2019, we repurchased 1,770,430 common shares for $12 million.

On May 21, 2019, Tervita entered into an Automatic Share Purchase Plan, which permits an independent broker to repurchase shares under the NCIB during blackout periods. As at September 30, 2019, Tervita recognized an $8 million provision as an estimated value of shares that may be repurchased during the blackout period.

SUMMARY OF QUARTERLY 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

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Revenue (excluding energy marketing)	191	166	184	194	203	124	116	132
Energy marketing revenue	420	424	347	208	439	416	274	241
Revenue	611	590	531	402	642	540	390	373
Profit (loss) from continuing operations	10	—	(3)	(33)	(44)	—	3	(65)
- per share ($), basic and diluted	0.09	—	(0.03)	(0.28)	(0.38)	—	0.03	(0.62)
Net profit (loss)	10	—	(3)	(33)	(44)	—	3	(65)
- per share ($), basic and diluted	0.09	—	(0.03)	(0.28)	(0.38)	—	0.03	(0.62)

Period	Commentary
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 the average WTI price. • 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 WTI 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 WTI prices, and increased project-related revenue in Industrial Services. • Net profit decreased due to the interest expense incurred on the escrow notes.
Q4 2017 to Q1 2018	• Revenue increased primarily from higher energy marketing volumes and WTI prices, offset slightly by a decrease in project-related activity in Industrial Services. • Net profit increased due to the impairments of goodwill and certain landfill assets in Q4 2017.

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.

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.

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.

FINANCIAL INSTRUMENTS

As at September 30, 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 nine months ended September 30, 2019, the Designated Hedge was deemed to be effective and $9 million was recognized in accumulated other comprehensive profit (loss).

We also have forward swaps to mitigate the foreign exchange risk on the repayment of principal of the US$250 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). During the nine months ended September 30, 2019, $8 million was recognized in the Statements of Profit (Loss) associated with unrealized loss in the fair value of the forward swaps. Tervita exited the forward swaps on October 29, 2019 for proceeds of $6 million.

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, 19, 20 and 23 of the Annual Financial Statements, notes 9 and 11 of the Interim Financial Statements, and the Liquidity and Liquidity Risk section of this MD&A.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of operations, Tervita engages in a variety of transactions that, under IFRS, are either not recorded on our consolidated balance sheets or are recorded at amounts that differ from the full contract amounts. As at September 30, 2019, Tervita did not have any off-balance sheet arrangements, other than the commitments, contingencies, and guarantees discussed in note 13 of the Interim Financial Statements, and notes 28 and 29 of the Annual Financial Statements.

We do not reasonably expect any presently known trend or uncertainty to affect our ability to continue using these off-balance sheet arrangements. Tervita does not believe that it has any off-balance sheet arrangements that 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 26 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, moved to set a court date, which has been set for early 2022.

Refer to note 28 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 8 of the Interim 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 Interim Financial Statements are included in the note 2 of the Annual Financial Statements, which are updated for new estimates as described in notes 8 and 10 of the Interim 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 ICFR and concluded that there were no changes during the nine months ended September 30, 2019 that materially affected, or are reasonably likely to materially affect, Tervita's ICFR.

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 the remainder of 2019 and 2020, including expectations regarding Adjusted EBITDA growth, Adjusted EBITDA Margin, and capital additions (with respect to both maintenance and growth and expansion projects);
- market and industry outlook with respect to commodity prices and differentials, and drilling and completion activity, relatively stable oil and gas prices, and Western Canadian oil and gas production levels;
- 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 double-digit 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:

- demand for services in our businesses can be adversely impacted by general economic conditions and we are dependent on exploration, drilling and production activity levels in the markets where we offer our services;
- the ability of management to execute its business plan due to internal or external factors;
- 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, capital expenditures, and decommissioning obligations;
- fluctuations in oil and natural gas 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;
- market and industry conditions with respect to oil and gas in Canada, the United States, and globally;
- 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;
- uncertainties about business opportunities to realize our growth targets;
- outcome of Tervita's ongoing legal action against Secure Energy Services;
- risks associated with existing and potential future lawsuits and regulatory actions against Tervita;
- the highly competitive nature of our markets, and competition that could adversely impact our financial position, results of operations, cash flows or our 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 our support services;
- increasing concern regarding earthquake activity connected to oil/gas production and waste disposal wells could adversely affect our business;
- successful implementation of our investment and acquisition strategy;
- the difficulty of identifying and executing acquisitions on favorable terms, including successfully integrating businesses we acquire, and our significant exposure

from unknown liabilities related to our acquisitions;
- susceptibility to seasonality due to adverse weather conditions;
- risks related to changes in industry practices related to crude oil equalization and declines in oil prices that may affect our 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 our energy marketing business;
- risks from competitor-owned rights to certain regions that could impede Tervita's ability to access business opportunities in the region;
- our 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;
- potential impairment losses in respect of our physical or intangible assets from reduced industry activity, and a sustained decline in demand for services involving physical assets;
- our ability to attract and retain qualified workers;
- dependence on our senior management, the loss of which could materially harm our business;
- obligation to comply with health and safety regulations at our facilities and our operations, the failure of which could result in significant liability and/or fines and penalties;
- failure by our employees to follow applicable procedures and guidelines or on-site accidents, which could result in significant liability and/or result in a deterioration in our safety record that could harm our relationships with customers, making it less likely for customers to contract for our services and subject us to penalties and fines, which could adversely affect our business, operating results and financial condition;
- fluctuations in exchange rates;
- counterparty risk on our hedging arrangement that could expose us to significant exchange rate volatility;
- the inability of counterparties or customers to fulfill their obligation to us;
- technology we use in our business being subject to protection by intellectual property rights; and
- our treatment, 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 13, 2019.

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 Adjusted EBITDA growth and Adjusted EBITDA Margin, 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 2019 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.