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EDITED TRANSCRIPT

ARX.TO - ARC Resources Ltd Annual Shareholders Meeting

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CORPORATE PARTICIPANTS

Harold N. Kvisle *ARC Resources Ltd. - Chairman of the Board*

Myron M. Stadnyk *ARC Resources Ltd. - CEO, President & Director*

CONFERENCE CALL PARTICIPANTS

Brad Karst

Darren Munn

Geoff Bygrave

Katherine Gomes

Michael Capon

Mike Henry

PRESENTATION

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Good afternoon, ladies and gentlemen. If you could please take your seat, we'll begin shortly. Good afternoon, everyone. My name is Hal Kvisle, and I'm the Chair of the Board of ARC Resources Limited. We'd like to welcome you to the Annual General Meeting of Shareholders of ARC, and I'd also like to welcome those shareholders who are joining the meeting via webcast today.

To start things today, I'd like to introduce the other directors and officers of ARC. And starting with the directors, I'd ask that each director stand as I call their name: first of all, Dave Collyer; John Dielwart, also one of the founders of ARC; Jim Houck; Kathleen O'Neill; Herb Pinder; Bill Sembo; Nancy Smith. Did I miss Fred Dymont? I did. Sorry, Fred. And of course, our CEO and President, Myron Stadnyk. I'd now ask that each of the other officers of ARC stand after I call their names: Terry Anderson, our Senior Vice President and Chief Operating Officer; Van Dafoe, our Senior Vice President and Chief Financial Officer; Bevin Wirzba, Senior Vice President of Business Development and Capital Markets; Chris Baldwin, Vice President, Geosciences; Ryan Berrett, Vice President, Marketing; Kris Bibby, our Vice President of Finance; Sean Calder, Vice President, Production; Lara Conrad, Vice President, Engineering and Planning; Armin Jahangiri, Vice President, Operations; Lisa Olsen, Vice President, Human Resources; and with us on the stage today, Grant Zawalsky, our Corporate Secretary.

Now before I call the meeting to order and commence the formal part, I'd like to take just a moment to recognize the contributions of one of our long-serving directors, Jim Houck. Jim is retiring from his directorship with ARC after having served as a director for 11 years. And during those 11 years, Jim has sat on the Risk Committee, our Health, Safety and Environment Committee, our Audit Committee, our Reserves Committee, which he chaired for many years, and most recently, Jim has been part of us putting 2 committees together and he has sat on the Safety Reserves and Operational Excellence Committee. His many contributions have helped him to shape our company over the years, and we're grateful for his leadership and dedication to ARC. Thank you, Jim.

The formal part of the meeting will now come to order. I will act as Chair of the meeting. And following the formal portion today, Myron Stadnyk will make a brief presentation on the business of ARC Resources. In order that today's meeting covers all of the business for which it was convened within a reasonable period of time, we have prearranged with a number of persons attending this afternoon to move and second certain resolutions. This procedure is not an attempt to discourage participation but merely a way to expedite proceedings. As Chair, I will accept questions from registered shareholders and proxy holders on each formal resolution. After the presentations, there will be a general question-and-answer session.

I'd ask Grant Zawalsky to ask act as the secretary of the meeting today and [Eric Horo] and Connor Doyle, representatives of Computershare Trust Company of Canada, to act as scrutineers.



Regarding the Notice of the Meeting, I received a declaration from Computershare Trust Company as to the mailing of the meeting materials to our shareholders. The quorum and scrutineers' report has now been received, and I can confirm that a quorum of shareholders is present at the meeting and therefore I can declare that the meeting is regularly called and properly constituted for the transaction of business.

So first of all, to deal with the voting portion of the meeting. We'll conduct each vote by way of ballot other than the termination of the meeting. I understand that the scrutineers have collected all the ballots. If you have a ballot, if anyone in the room has a ballot that you wish to submit, please provide it to the scrutineers now. I don't see any.

Particulars of the votes cast on all matters may be obtained from the secretary after the meeting and of course, will be available via a news release after we're done today.

So the first matter of business. I'd like to formally place before the shareholders the financial statements of ARC for the year ended December 31, 2018 and the auditor's report thereon. These items were previously distributed to shareholders and posted on our website. There are extra copies of the financial statements available here today, and those have now formally been placed before the meeting.

The next item of business is the election of directors of ARC. I will now entertain nominations for 9 positions as directors of ARC. Oh, one question presumably with respect to the audited financial statements. There's a microphone there.

Unidentified Participant

(inaudible)

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

I don't see a question there. So thank you for your comment. The next item of business is the election of directors of ARC. I will now entertain nominations for 9 positions as directors of ARC.

Unidentified Participant

(inaudible)

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, [Kristin]. As there are no further nominations, I now declare the nominations closed. The Board of Directors of ARC has agreed to conduct the election on an individual basis for each director in accordance with our majority voting policy. Now is there any discussion or question from any registered shareholder or proxy holder? Yes?

Unidentified Participant

I stand up and I would like to bring forth some of the elements in regard to the directors. Turning pages is a little bit of a problem. Could someone hold this mic for me as I turn pages? Thank you. The mic doesn't work unless you've got it close to my mouth, young lady, because I didn't hear the lady in front at all. Okay. Mr. Collyer, I noticed that you're an extremely busy man because you've missed a couple of meetings. I'm not pleased that we're paying you money to do your job, and you missed 2 meetings. And I think paying you over \$200,000 requires you to be there. Mr. Dielwart, if I were to say your best-before date has happened, you've been here much too long and we need a change. We need some fresh blood because this company is not doing well. Let me turn the page. Likewise, Mr. Dymont, I realize we're not supposed to talk about age because I got gray hair myself. But the point is you've been here since 2003 and your best-before date has come and gone, and likewise, I believe, Ms. O'Neill. We've also got Mr. Pinder. I believe he's getting a little gray on the top as well, and he's been here since 2006. We need him to be gone as well. We need some

fresh blood that can invigorate this Board. I would therefore like to put forth a motion that we have term limits of no more than 8 years. And I would like someone who's a minority shareholder who's got the guts to stand up and second that. Nobody with guts? Okay. Then we're going to have these old people running us into the ground forever.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you. The next item of business is the appointment of auditors.

Unidentified Participant

(inaudible)

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Yes. I am advised now by the scrutineers and by our Corporate Secretary that all directors received a majority of votes in favor of election. So I declare those nominated as duly elected directors of ARC. So thank you to all of our directors for agreeing to stand.

The next item of business is the appointment of auditors of ARC.

Katherine Gomes

Katherine Gomes, Controller at ARC. I am a shareholder, and I move that PricewaterhouseCoopers LLP Chartered Accountants be appointed auditors of ARC until the next annual meeting or until their successor is appointed and that their compensation be fixed by the Board of Directors.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you.

Brad Karst

My name is Brad Karst, Manager of Operations Accounting at ARC. I'm a shareholder, and I second the motion.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you. Is there any discussion or question from any registered shareholder or proxy holder regarding the appointment of auditors? Yes? Not very many. We changed auditors, I believe, 2 years ago.

Unidentified Participant

Because I did try to look it up, and unfortunately, there's so much material. I wasn't able to find that, but I thank you for your answer.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you. I'm advised by the scrutineers that PricewaterhouseCoopers LLP has been appointed as auditors of ARC.



Now there is a say-on-pay vote. The next item of business is a nonbinding vote on our approach to executive compensation. Is there a motion?

Mike Henry

My name is Michael Henry, Manager, Information Services, at ARC. I am a shareholder, and I move that the nonbinding advisory resolution concerning ARC's approach to executive compensation as set forth in the information circular of ARC dated March 15, 2018 be approved.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you. Is there a seconder?

Geoff Bygrave

My name is Geoff Bygrave, Manager, Production, at ARC. I am a shareholder, and I second the motion.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

And I would ask, is there any discussion or question from any registered shareholder or proxy holder with regard to this issue? Yes, ma'am?

Unidentified Participant

As noted before, our income has decreased by 45% from last year, yet we have our officers who continue to receive increases. Last year, it seems we've got Mr. Stadnyk. I'm sorry, I can never say your name right, sir. It's not because I don't like you, but Stadnyk, if that's correct, he received a 3.66% increase on top of the year before, of which he got a 13% increase. And yet, we, as shareholders, our share price just this past year has decreased by 40.65%, and that's on top of the year before when our share price decreased by 19.65%. So in the last 2 years, we suckers have lost close to 60%, and yet this board continues to give increases to our officers. Likewise, with Mr. Dafoe, he received almost a 3% increase, and the year before, he got a 7.4% increase. Mr. Anderson, likewise, almost 3% this year and almost an 8% last year. Making matters even worse, Mr. Wirzba, he got a 41% increase, almost 42% increase this year in his bottom line pay on top of 16% last year. And yet, we, as the suckers, the minority shareholders, we have lost almost 60% of our value in 2 years. Personally, my company who owns these shares, we have lost tens of thousands of dollars, and I am getting pretty sick of it that you guys keep shoveling it into your pockets and yet we're left holding the bag. And I'd like to see a whole pile of restraint, and as far as I'm concerned, a lot of you need to go and reduce also your incomes.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

So with respect to your comments, first of all, on the share price, I can assure you that all of us on the Board share your concern about the share price of ARC, and we're all disappointed and we're all shareholders, of course. And we recognize it's not been a happy outcome for our shareholders over the past 2 years, and we understand your concern. With respect to base salaries at ARC, we target our base salaries at the 50th percentile of what I might call the Calgary energy mark at looking at our peer competitive companies, and we make minor adjustments to those from time to time to ensure that we remain competitive. We have strong leadership and capable employees, and we don't want to lose either.

The third point I'd make is that the compensation that is awarded to our executives is not the same as what they realize. A very significant part of ARC's compensation is in the form of equity-linked instruments, so that if the share price goes down, stock options are worth nothing, if the share price goes down, performance share units and restricted stock are worth significantly less. And if you look closely at the proxy statement, you'll see the disclosure around our awarded versus realized pay. And while I appreciate your comments, the scrutineers have now advised me that an excess of 93% of our shareholder votes have been in favor of the say-on-pay vote, and we have strong support for our compensation structure from our large institutional and other shareholders.

So we think it's important as a Board that we pay at a competitive level to maintain the capacity of this company. And I'd note that our funds from operations at ARC have stayed essentially flat per share over the past couple of years. The real driver of our lower share price is our price to cash flow multiple has contracted. The price to cash flow multiple of our whole industry has contracted quite significantly. The single biggest issue, of course, being access to market, which many of us in the industry have made our views known on that, but Canada needs to get its act together with respect to access to market. Until we change that, we can't be too hopeful that some of these difficult circumstances will improve.

Now unless there are other questions from the floor, I would entertain a motion that the formal part of the meeting be terminated. And as I said before, our CEO, Myron Stadnyk, has a brief presentation on the business of ARC that he would like to share with you after we conclude the formal part of the meeting. So is there a motion for termination?

Michael Capon

Michael Capon, Manager, Information Technology at ARC. I am a shareholder, and I move this meeting be terminated.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

Thank you, Michael. Is there a seconder?

Darren Munn

My name is Darren Munn. I'm the Engineering Manager at ARC. I'm a shareholder, and I second the motion.

Harold N. Kvisle - *ARC Resources Ltd. - Chairman of the Board*

All in favor of termination of the meeting, please raise their right hand.

(Voting)

Any contrary?

(Voting)

Hearing and seeing none, I declare this -- the motion carried, and I declare this meeting terminated. So thank you for going through the formal part of the meeting with us. I will now turn this session over to Myron Stadnyk. If you have any questions after Myron's presentation, please raise your hand and a microphone will be provided. Myron, over to you.

Myron M. Stadnyk - *ARC Resources Ltd. - CEO, President & Director*

Great. Thank you, Hal, and welcome to everybody to our 2019 AGM. Martha snowshoed into work on Saturday to tidy up the slides, and they look pretty good. So we'll look forward to sharing with you our story at ARC Resources.

So what I'd like to do today is to share with you about our people, a little bit about our safety, our investments, some of our business accomplishments, talk a little bit about our future projects and also spend a bit of time, context in Canadian energy in relation to global energy and then conclude and talk about some of the things that we contribute to the community.

So with that, there's the advisory statements. I'd like to start with this grand photo of a good portion of our team, and I, really, I just can't say enough about the dedication of the people that work at ARC. We have a tremendous team. And once again, this year, our team has worked hard and we

have the highest cash flow per share that we have at the company in the past 4 years. And I think everybody would acknowledge there's been some tough industry conditions, and to pull that off is quite an accomplishment. I'd also point out that the majority of our staff are shareholders, and they contribute and buy stock through our savings plan and share in the success of the company.

As you can see by the T-shirts, our staff are also industry ambassadors. It's a growing role for us to represent our industry with pride and the people that work at ARC are very proud of our contributions and the positive voice in our community and our country.

Just to stop on people just for a moment as the company will be 23 years old. I have the great fortune to -- at the AGM to be able to acknowledge Van and [Lawrence] and [Kevin] and [Trev] and Dave for being with us for 20 years. And when you think about ARC 20 years ago, the startup, the transformations of the acquisitions that we've made, the technical advances and that whole people dimension, I really have to congratulate and thank these 5 people for their dedication, their leadership and their positive attitude towards continuous learning because there had been a lot of change and a lot of learning going on at that time.

Now when you look at our corporate headcount, we've sold a lot of assets within ARC, and so our staff counts peaked at over 600 people. There's about 450 people who work at ARC. So there's been quite a transition in the past few years. And on the demographics of our company, there's 4 people under 21, and you don't want to think about what year they're born and it makes you -- this feels weird. And there's 4 people over 60 and then a nice blend of people at the age that can mentor and lots of youth and enthusiasm as well.

The women that work at ARC, a very important part of our workforce. About 30% of the -- our workforce is made up of women. And about 50% of our supervisory and professional positions are filled with women. And that tall part on the stack bar chart, we see that as a very positive development for our women to continue to move to executive roles and someday to be leaders on boards around the community and other corporations.

Safety is critical at ARC. It's the most important thing we do. And it just -- really, again, safety connects to people and to strong management, which Cory Beliveau, our Manager of Safety, Armin and Sean and Terry, all the people that have created a wonderful culture around safety, and to have no lost time accidents for our staff for over 5 years is a tremendous point of our culture where we really care about each other. Our contractors are now at over 530 days without a lost time accident. So very notable.

So where does ARC stand in the Canadian energy scene? Where -- you can see this chart where we're positioned with the publicly listed producers. We're about the tenth largest conventional oil and conventional gas producer in Canada. And here's where our assets lie. I'm going to speak in a minute about the transformation of our company and the deliberate focus to this geographic area. But what you can see are large contiguous land blocks in Northwest Alberta and in Northeast BC, including 130 square miles of land in Pembina, which isn't shown on this map. So we're the third largest landowner in the Montney and had an early entrant advantage. We've built up a super land base of 700,000 acres. So I'm going to talk about some of those properties as we move forward.

I'd like to point out a real distinct Canadian advantage to having these contiguous lands. Large land blocks allows for more efficient development, which allows for superior value creation. And when you look at Attachie West or Ante Creek, both of those are about 300 square miles, which is about the size of the city of Calgary.

So we've been on quite a journey. We've transformed our company from what we call the legacy assets, to the modern-era assets, able to compete in the commodity prices of today. So it's an impressive journey, and just looking at the photos, you can see the amount of technology and know-how that was necessary to modernize ARC, to build long-term scalable businesses that have a low-cost structure and will endure for many years. So what you're seeing, the photos are what our team has completed since 2010, so a very audacious modernization of ARC, but it builds on the large-scale resources that I showed you on the previous page. But it's more about all the fun engineering and building these things. It's an economic journey in parallel with the technical journey. And as I go through the next few slides, I'll describe the economic journey and the reasons why we've transformed our company.

And as you look at these images of our assets, one very notable point when you think about the environmental attributes and the ESG attributes of our portfolio now, almost all of this infrastructure that you're looking at is electrified by hydropower in Northeast BC. The emissions from all of



these plants are sequestered into other zones in the ground, and we can say with confidence that these are among the cleanest environmentally responsible developments in the world.

Now we put the numbers on just to sort of help context the journey, and this is really just graphically showing you what I illustrated with the photos. But the punchline here is that if you start on that left-hand side, the black bar represents the assets that we used to own. They're all gone from our portfolio, so even though we're going to be 23 years old in July 11, our asset base is primarily 9 years old. We have a little wee bit of Cardium that you can see on the bottom of the far right that remains in our portfolio.

You can see the strategic optionality growing in our portfolio. The green is the oil, the ability to produce oil from these different parts of the Montney, and the red is the natural gas. So we've sold those assets. We built these new assets and essentially built a business that's 3x to 4x more efficient on capital efficiency. And what's really notable, I think a source of pride for our whole team, how we're building infrastructure and still managing the business, from 2015 to 2018, you can see we had some pretty big projects in there. We're divesting assets. We maintained our dividend through that time, and our debt actually dropped \$550 million. So great work by all the different groups within ARC.

So here's the reason and here's why ARC is a stronger and a better company and has a bright future as we've retooled. Think about -- what these graphs show you is ARC in 2009 and ARC right now. So think that we're twice as big as we were then, but it actually takes 27% less dollars to sustain a company that's twice as big. We're actually finding oil and gas for 56% less than it cost then because of the Montney. In fact, our well count has now dropped 60% even though we're twice as big, so the well efficiency has increased fourfold. And our operating expenses have dropped 50%. At the end of 2014, our OpEx was just under \$9. This quarter, it was \$5.24. While all of that was happening, our marketing team brought in just under \$1 billion of hedged gains, which helped pay our dividend and fund the transformation of the company. So once again, great performance by all our teams, creating a more efficient company.

And this is another reason we had to transform. I think because we were an early entrant into the Montney, we had a very accurate anticipation that the commodity prices, the natural gas price specifically, would become banded because you have these large shale plays in the U.S., large plays like the Montney in Canada. So to think back in 2007 and '08 when we were first taking markets for the Dawson plant that I showed you started up in 2010, we were actually living in a \$5, \$6, \$7 world, but we could see all that -- how big these reserves were and we said we need to have a very low cost structure business to compete in what at the time we called banded prices. That has come true now, and you can see the red line, the gas prices, plus or minus \$3 NYMEX, and we're profitable in that context.

The little charts on the left show you that during this time frame, Canadian production stayed more or less flat. U.S. production has gone from 70 to 90 Bcf. So where is all that gas going? Well, there's been coal-to-gas switching, a big, big trend in the U.S. And the U.S. has also added new export markets on LNG. You can see that market did not exist a few years ago, and now 6 Bcf a day here are exported. Twice that amount is licensed for new projects. Similarly via pipe, another 5 Bcf a day goes to Mexico. So the punchline on natural gas as it's being developed, it's being used. The coal to gas in the U.S., in the summertime now, it's natural gas generating the power in the U.S., and that burns about half of the U.S. production to cool people's homes essentially.

And it's been the same story on oil. It's really phenomenal when you stop and think that the world recently went through using 100 million barrels per day of oil every day after day. So it's an incredible consumption of oil product. That's grown in the past few years between 1 million and 1.5 million barrels a day, and we see that continuing to grow in the next 5 years. Even though that number sounds huge, technology has come and the Permian has added a lot of oil. And that same thesis around banded prices, you can see it materializing on oil prices on that green line, and oil prices have hovered plus or minus that \$50, \$60 WTI rate. So we needed to add these new businesses the Montney. You can make money in these banded prices.

So this is the story of the U.S., which is now the largest oil producer in the world, and it's done more than just being able to make that statement for the U.S. It's actually starting to change the dynamics of the global oil movement, and to think that the U.S., it was actually not allowed to export oil a few years ago, now it's exporting up to 4 million barrels a day of their own product to different refineries and actually importing heavier crude to capitalize on the margins. It's fundamentally changing the way that the oil and gas markets work, and we need to understand that and we need to compete.



So our first part of our -- that competition is to make sure we're adding resource that competes with the cost structure of our top competitors. So on natural gas, our top competitor would be the Appalachian formations, the Marcellus, it's called. And you can see in the U.S., it cost them about \$8 million to drill that well in Appalachia. In Canada, we're very good at managing our funds, and we're drilling our Montney wells for about \$4 million. When you actually look at the resource, we are finding Mcf of gas for about the same price as our American counterpart, so we're competing. Similarly, when you look at our Tower wells and you look at the Permian wells, when you take their USD 7 million and our \$4 million to drill our wells, you might hear about big wells there, but we're actually finding a barrel of oil very competitively with the best basins in the U.S.

So we've studied that, and there is also an outcome of drilling these wells. How do you manage a business to pay the dividend? So this graph on the right is very important, so I'll now be using the words, how do you sustain the business or maintain the business. So we really keep an eye on our decline rates. So you can see this graph compares us to key U.S. competitors, Apache, Antero and FANG and Diamondback and some other producers like Pioneer. So you can see we manage our declines to be lower, but it takes less money for us to sustain our production and allows us to pay a meaningful dividend. So there's some real deliberate thought in how we build all these projects to cater to the dividend model.

We've also had some tremendous success in our marketing efforts. Our marketing team has worked hard to diversify our sales through various parts of North America. So right now, today, we are selling gas in Dawn in the Toronto area. About 30% of ARC's gas is being sold at Ventura in Chicago in the Midwest. And we also sell about 10% of our gas to Malin, which is Southern Oregon, Northern California. When our Dawson IV plant starts up next year, about half of that gas will be linked to a new contract that we're taking to Malin for another 50 million a day to California.

So there's a lot of deliberate thinking on diversifying our gas sales. And what does that do for us? You can see on the far right of this chart that the gas price in Alberta last year AECO would have been \$1.65. But through our diversification efforts and through the financial hedging work of our team, ARC's gas price was \$3.18. So we've more or less doubled the price of natural gas, which is benefiting the cash flow of the company.

And I think that this is the punchline slide for why we transformed the business, and I'll take -- I'll just slow it down to be very clear on explaining it. But because we've had the good fortune of having Pembina in our portfolio, for many years, it produces about 10,000 barrels a day of oil, we can benchmark off at Pembina. So often talked about as the largest conventional oil pool in Canada, high-quality netback, 60 miles from the refineries in Edmonton, so it's well known as being a great place to generate cash flow for our industry. So if you look at Pembina in our portfolio, it's -- that size of that bubble is the netback. So the prices we received when you subtract the royalties and the transportation, the operating cost, that's a netback we received for Pembina. So that's our little benchmark bubble. And on the bottom, you can see that from the price, and deducting operating cost and transportation and royalties, about 50% of the cash was left over to generate funds flow for our company.

So the punchline here is Parkland/Tower, a new business we've built. That blue bubble is actually twice as big as Pembina. So we've created a new business that's twice as big. Dawson and Ante Creek are 50% bigger than Pembina. So they're meaningful, scalable businesses with more phases left. And just as importantly, their cash margin is better, so they -- about 65% of the gross revenue materializes as a netback. So we're building bigger businesses with stronger cash margins and lower prices, and that will power our company for years.

Attachie West is interesting. You can see a very efficient operation with a small bubble because it's a pilot. When we're standing here in a couple of years, we'll show you that bubble, hopefully, 4x or 5x bigger and the margin's a little bit better. And Attachie will be contributing to the netback of our company in a very efficient way.

This also is a justification coming through the transformation of our company. Here's the cash flow for the last 3 years. So we're now 4 years of not issuing equity, share count at 353 million shares. And you can see on the blue diamonds that the cash flow per share has gone up 25% the past 2 years, from \$1.80 to \$2.30 at the end of '18. So doing all that transformation, paying that dividend, building these new businesses and generating higher cash flow per share, that's our goal.

And as far as profitability, this is the graph on the profitability. If you look at the over-life profitability of our company, it's about 10%. Profitability can sometimes be quite volatile and difficult to track in one particular calendar year. But our return on capital employed last year was 7%, the year before, 14%. Sometimes, you'll get mark-to-market adjustments on your hedge books that moves that around. The punchline here is that we're creating a profitable business in banded prices.



Now if you look at that improvement in the business conditions, we're getting more and more discretionary cash. So if you go to the far right and think about our dividend payment, that black, that's \$210 million. The sustaining capital, the blue, that's \$400 million. And then last year, we generated \$820 million. So we have over \$200 million of discretionary funds. We're choosing to invest that in Dawson Phase 4. And as the cash flow goes higher and if we can sustain at very low cost, we create additional discretionary cash flow for us to manage in the business.

So we'll continue to work on paying our dividends, \$0.05 a month now. \$0.60, about 25% of our cash flow goes out to pay the dividend. ARC started as a \$180 million IPO 23 years ago. It's now crossed over paying \$6.4 billion of dividends to the shareholders, so an incredible dividend story by any stretch of the imagination. We'll continue to work on growing our funds per share. And as Hal talked about the share multiple is in the eyes of the beholder, the people that buy our stock, and we'll work hard to do what we say we're going to do and maintain a premium multiple.

So quickly looking forward, we talked about the dividend, we talked about our sustaining capital. The backdrop to all this developments, the big news in our resource here is that our oil has now moved over 14 billion barrels in place. 100 Tcf of gas is old news, and we're working towards a very sophisticated marketing strategy.

And here's our assets. I've just put the circles to show you those different projects that ties back to the photos, and the ellipse kind of highlights what's new. Most of our wells are going into that gray area, the Lower Montney. And why is that? They're so liquids-rich, and they're actually the new production source in the Montney and enhancing our revenue. So the 700,000 acres we have, with the 300 meters, 1,000-foot thick pay looking at it from the side, very close to the TransCanada system. You can see Pembina pipelines on the map. And also, this year, we added the coastal link, which is a pipeline that would feed the Shell LNG project, which is also in that geographic area.

And here are some of our well counts, many wells to be drilled yet. A quick summary of our 2019 budget. The flagship project for 2020 is Dawson. You can see we're spending \$299 million there this year. And then the limelight -- Attachie will move into the limelight for the future years. So there's our -- and this oil surprisingly looks a lot like that, which is quite incredible if you're used to seeing other qualities of oil. So that's the Upper and Lower Montney and Attachie. We'll bring on 10,000 barrels of that production in 2021, is our current plan.

One of the -- some of the big news in the last quarter is that we received Oil and Gas Commission regulatory approval in British Columbia to build the infrastructure in Attachie. So we're on our way there and currently building a road into the area.

I'd like to switch gears and just brag about Canada for a moment. And Canada, this left graph shows you how well Canada is respected in the globe as far as managing our operations. And you look at our Board and our management team, there's -- Chris is working South America and Bevin's in Africa and I've been in Asia, and all other members have worked all around the globe. And we know that Canada does a bang-up job of managing our business. So you can see that in the data.

When I think of a significant bragging point for ARC, we're a smaller company, but we actually won a voluntary climate award back in 2000. Responsible developments in our DNA, and we've been very focused on it since inception. So you can see the print's a little small, but the outside rankings of companies across different continents with respect to environmental and social performance, and ARC ranks among the best in the world. So I think it's something to keep in mind as I go through these next slides, the high discipline in Canada and commitment to really high-quality and environmentally responsible operations because the world's going to need more and more energy, and where should it come from? This is the forecast for 2040. If you add up the oil and natural gas, you can see natural gas is expected to grow quite robustly. The sum of those 2 is still half of the energy needs of the entire globe. So I think not only is energy important for Canada, it's important for the world. And after you work in energy for a while, and hopefully, I have illustrated it in our slides, you do think globally about this.

And the importance of energy, let's be frank, it extends the lifespan of people. It creates the opportunity to sit in this room, where it was just snowing 4 days ago. We have an incredible quality of life and lifespan which directly correlates to energy. We use 20 times more energy in Canada than the people in India and about 100x per person more energy than the people in Africa, and there's 1.2 billion.

So let's have a quick look at the globe. The U.S.A., as I talked about, jumped into #1 in natural gas as well not just oil. We're #5 on gas. We're #6 on oil, and I think we have a gift here in Canada to share with the world. And if you look at -- let's start with the importance to Canada. Energy is the



largest investor, capital investment by industry. You can see the dotted line. That was our investment in 2014, with market access issues and a little bit of commodity price. That investment's come down significantly, but it's still the largest investor. We also see the revenues by industry.

And just take that and think about that as we look at this next graph, which is kind of the second or third page, last page of The Economist, which I look at every time The Economist comes to our house. So think about the trade balance that Canada has and the fiscal balance. So Canadians like buying stuff. They buy \$54.7 billion of it from other places, like buying electronic stuff, \$41 billion. Industrial machines, you might say, well, some of that has a purpose to drive the Canadian economy. Autos, travel, other goods and services, all the reds are things that we import into our country.

If you think about the second largest landmass in the world with a tiny population of 37 million people, I think you'd agree that we need to export to have a livelihood here. And the exports that jump out are energy, mining, agriculture and forestry. And if you don't have those exports, what would Canada be? There really would be no Canada. We're still running a trade deficit of \$50 billion, and it's been that way for a few years. So I think it's important to think of our industries, not only that they serve our country and our provinces and our well-being.

So energy employs 0.5 million Canadians. Largest investor, which I talked about, contributes about \$7 billion a year to government coffers, and ARC, our smaller company, we've paid over \$3 billion of royalties to the Western Canadian provinces that has helped with social programs and all the good things in Western Canada. And suppliers are supported across the world.

So I'll just take this one step further and look at what's happening in other places around the world, and I'd like to paint a picture for you. What if we could get our natural gas to the rest of the world? So we talk about the need for energy. There's just a fundamental need for energy, and that need right now, there are 600 -- over 600 coal plants being announced that are currently under construction in India and China, and you can read the numbers on Vietnam. But think about if we could displace coal with clean-burning natural gas, what would that look like? Well, if we could get that from BC or Alberta, we start, that we can actually produce LNG with less carbon intensity no different than our gas plants, I talked about how we use hydropower and sequester, we're very efficient. Each LNG plant that's built reduces coal emissions equivalent of 100 megatons per year. So the punchline is if Canada could build 5 LNG plants, only take a 50% credit for that, in fact, we would have met the entire country's agreement for the Paris Accord. So thinking globally, I think, is very important, and energy is important to Canada and to the globe.

Switching gears a little bit closer to home. I just want to acknowledge the people at ARC. We have a great spirit of ARC. Of course, we contribute financially to many charities. Probably more importantly than that is there's a commitment of our team to be on the boards and be seen as leaders. I'm currently enjoying a Board seat with STARS, and we've had some tremendous success recently getting 7 new helicopters for Western Canada. That's going to serve emergency services very well for the next 25, 30 years. And there's lots of things. Another interesting one I thought I'd point out is trying to help the Grande Prairie Hospital, linking them with the Edmonton Stollery Hospital and using technology so that doctors can help in remote areas to help with -- better the health of these smaller communities and advance the aptitudes in the smaller hospitals. So we're directly involved in things like that to help people.

We do get a few accolades once in a while. Our marks came in for the Carbon Disclosure project, which we did extremely well on water and managing carbon. And one bragging point, I think, for our capital markets team, ARC was awarded from the IR Magazine the best IR in 2018, not only in Canada, but actually, globally. So a real tremendous accomplishment, the hard work of our whole team, our business results and the hard work to communicate that.

So in summary, I hope I painted a bright future for you to see how ARC is going to continue to do very, very well, building our business. The external environment, the share price, is one thing, but I've shown you our cash flow per share has been marching up. We have achieved excellence in ESG, and we're many years ahead of the competition, our using technology and project management to build responsible facilities, how we have a world-class land base to perpetuate our future and how we're connecting to markets and increasing our sophistication around that to garner the best netbacks for you. So as we pay our dividend, have a real thoughtful approach to investment, I think we have a very bright future at ARC. And I'll close there and look forward to Q&A..



QUESTIONS AND ANSWERS

Unidentified Participant

I'd like to say something. I speak to you as a small shareholder, and I've been with ARC for about a year. So I don't have the same depth of passion that this very entertaining lady has. At the same time, I'd like to say that a suggestion that we replace the Board with younger members will not of itself guarantee an improvement in ARC's net results. That's why I didn't support you, and it's not because there's a lack of guts, okay? And I would like to ask something that has been mentioned here. I'm not asking you to tell me what profits you're going to make in the future, but I will ask if you have any analyst coverage on the company.

Myron M. Stadnyk - ARC Resources Ltd. - CEO, President & Director

Yes. So we have a very broad analyst coverage of ARC and the -- all the major banks. So I think at last count, we had 14 analysts covering ARC. And if you want to meet up after this session, I'd be happy to give you the names of some of them. And Bevin's an expert on that as well and will be happy to share with you how you can access the analyst information.

Unidentified Shareholder

I am an investor with ARC for 5 years, sometimes big, sometimes small. I also sympathize with the lady because I think the impression that we pay too much to the [secure team]. This is general impression. I don't want to go for details. The second question I have then, the companies would survive in very hard times when they have very good downstream facilities, like in Imperial Oil, Suncor and [Standard Oil]. Why you don't go for this, especially the oil and gas challenge is not provincial or federal anymore, it is global. And now we have a new provincial, let's say, government. I don't know what is your plan to cooperate with the provincial government to do something to our situation here.

Myron M. Stadnyk - ARC Resources Ltd. - CEO, President & Director

Thank you for your question. And with respect to the downstream facilities, the -- this is an exact topic of discussion that we're having at ARC. And probably one of the things I should have spoken to more specifically was all that infrastructure, all that -- those pictures I showed you, ARC owns all of that 100%. So we garner the propane and the butane and the condensate, and we control that and manage that to optimize our revenue streams, which is different than a lot of upstream companies. They'll send their gas to a third-party company -- companies, like, say, [Kiera] or Pembina. So then on oil, we also own our infrastructure. So then your question takes us as we get to be a bigger company, you can see we've now taken that next step on natural gas. We own the gas plant, we're processing it, and we secured the marketing rights to sell that at Chicago and California and out Toronto. So that's an example of us moving that way. But your point is well taken because we're looking at how can we enhance the value chain. So it's an excellent question and something that we're working on now. Now with respect to the provincial government, the government has talked about doing things that increase the ability to sort of backstop smaller players to do smarter things on marketing, and we'll be learning more about that as time goes on. I don't have any details yet, but we'll always be there learning and studying that. And if producer groups or backstops due to government to enhance their value chain, we'll be looking at all those things.

Unidentified Participant

I'm so glad that we have the orange communist government gone out of Alberta. And yes, and I'm glad it was my friend, Jason, who I've known for 25 years, who is taking over. Also our new Energy Minister, Sonya, I've known her for, God knows, 15, 20 years. So she'll do a good job. What I'd like to find out though is from you because you do seem to contribute to philanthropic places. How much are you, as ARC, going to be spending or donating of our money to get rid of our boy child in Ottawa, who has created the mess that we have? In other words, how much are you going to donate towards the good cause of the conservative party?

Myron M. Stadnyk - ARC Resources Ltd. - CEO, President & Director

Yes, so we've had an approach to stay out of politics even though we're totally into it, and we've actually really stayed away from supporting any individual party with ARC's corporate money.

Unidentified Participant

Why not?

Myron M. Stadnyk - ARC Resources Ltd. - CEO, President & Director

Now as individuals, we support what we want, and we leave that choice to the individual. So we haven't been funding political campaigns with ARC's money. Governments come and go, and -- but we are cheering on anything that improves market access. Polite answer. We can talk more outside. That looks like it concludes the questions. Thank you, everybody -- oh, there's one more. Sorry. These lights are extremely bright.

Unidentified Participant

My name is [Alan Knight], and I'm a shareholder of the company. Why did you choose to allocate the capital above your sustained capital to growth versus dividends and paying down -- or paying down debt?

Myron M. Stadnyk - ARC Resources Ltd. - CEO, President & Director

Yes. So the debt -- I'll start with the balance sheet because your comment, [Alan], about the debt, that's near and dear to our heart. We want to have amongst the lowest debt, the strongest balance sheet of any Canadian or U.S. producer. So if you go back to the end of 2014, our debt was \$1.25 billion. At the end of last year, it was \$702 million despite that growth that you saw, that I showed you that new infrastructure. Now what's really important to the dividend-paying company, there's a balance between adding your production, which adds your cash flow per share, which I talked about. That cash flow per share is necessary to pay the dividend. If you underfund your investment, after a while, you'll jeopardize your dividend. So we're taking a long-term view to continue to develop, pay our dividend at a rate that we can clearly afford, while keeping an eye on that balance sheet, but our balance sheet is very strong right now.

Yes. So we always do the math on the buybacks. Right now, the best answer to add value it's 2x or 3x more efficient to continue to invest in our business. It advances our business for the long term and keeps our balance sheet strong. But we're always looking at that as an option, it's not the right path to take right now.

Well, thank you very much to everybody for attending our 2019 AGM and in closing, thank our employees at ARC, thank the Board and thank you, our shareholders. Appreciate your time.

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