



# Propane Distribution



**Superior Plus**

# Business Profile

- Superior Propane in business since 1951
- Canada's largest supplier of propane, related products and services
- Operational locations: 6 regions, 45 markets, 125 satellites
- Customers coast to coast across Canada
- Employees: 1,600
- Vehicles: 825
- Also provides natural gas liquids wholesale marketing services to small and medium-sized propane retailers, mainly in the mid-west United States



# Historical Financial Performance

(millions of dollars except litres of propane and per litre amounts)	Sept. 30, 2008			
	YTD	2007	2006	2005
Litres of propane sold (million)	987	1,429	1,386	1,468
Total gross profit (cents per litre)	21.3	20.6	19.7	19.4
Total revenues	834.8	1,075.7	985.4	856.2
Cost of products sold	625.2	781.5	712.5	571.8
Total gross profit	209.6	294.2	272.9	284.4
Distributable cash flow	55.1	99.6	90.6	94.2

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## Experienced Senior Management Team

	<u>Position</u>	<u>Age</u>
<b>John Gleason</b>	President	49
<b>Frank Burdzy</b>	Vice-President, Business Operations	47
<b>Andrew Carroll</b>	Vice-President, Business Development	44
<b>Douglas Elliot</b>	Vice-President, Service	51
<b>Buster Moulton</b>	Vice-President, Finance	52
<b>Greg Stewart</b>	Vice-President, Business Services	45
<b>Mark Goldenberg</b>	Vice-President, Human Resources	55

# Canadian Propane Supply/Demand

<b>SUPPLY (billion litres)</b>	
Gas plant	9.58
Refinery	1.25
Imports	0.23
<b>TOTAL</b>	<b>11.06</b>

<b>DEMAND (billion litres)</b>	
Wholesale	0.72
Retail	3.03
Exports	7.31
<b>TOTAL</b>	<b>11.06</b>

Source: Purvin & Gertz, 2007

- Canada has 500+ gas processing facilities and 17 refineries producing propane
- 200+ Canadian propane retailers
- Supply increasing in future years

# Geographic Diversification

## 2007 Gross Profit by Region

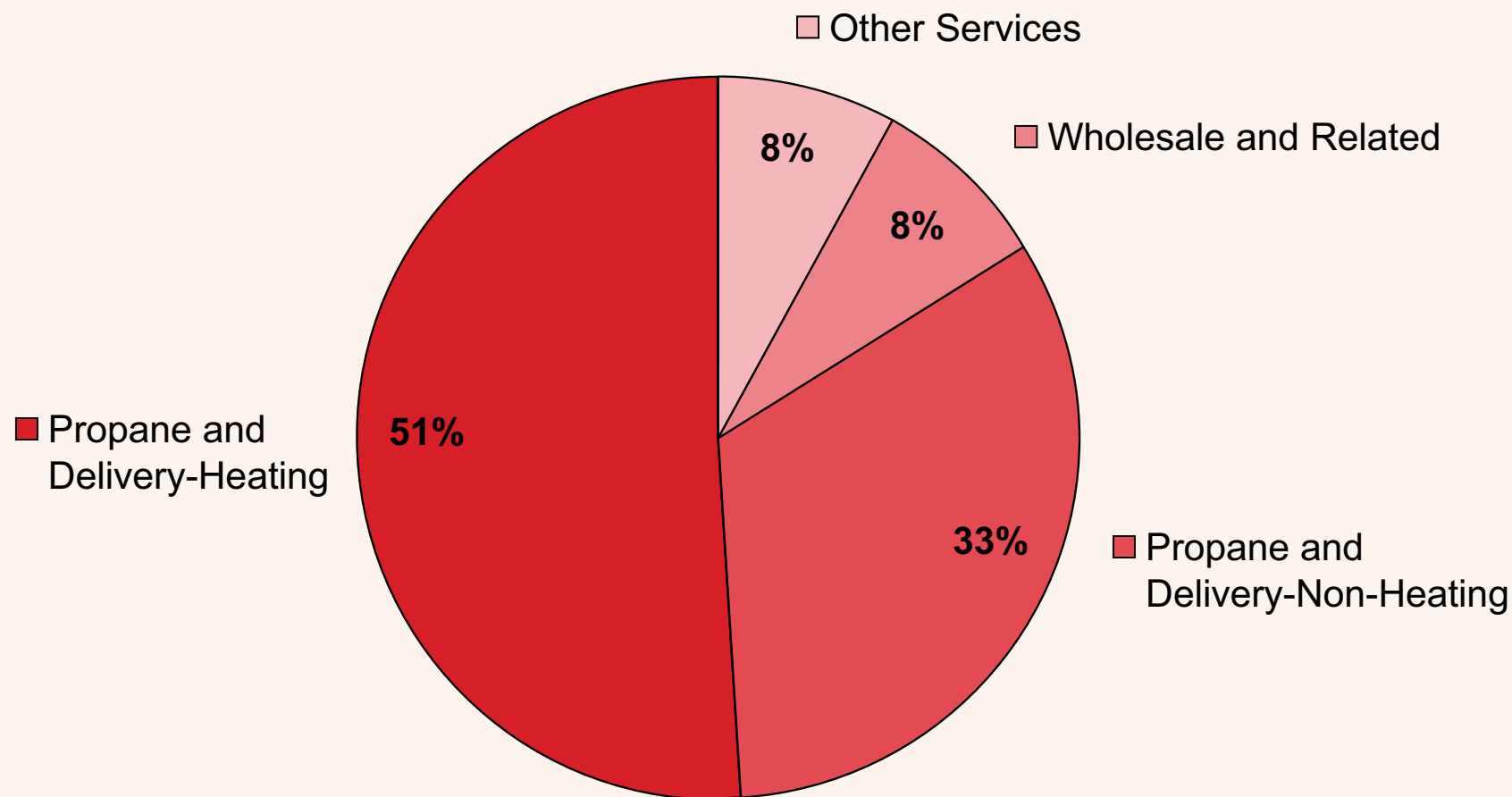


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# Market Diversification



As at December 31, 2007

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# Wholesale Business

- Aggregate propane supply and coordinate logistics
- Supply other retail marketers
- Appropriate risk management practices
- Contributes approximately 8% to the total gross profit of the propane distribution business



# Safety Programs – The Gold Standard

- Sunrise propane incident put spotlight on propane distribution safety practices
- Other propane distributors being forced to invest in higher-quality safety standards that match Superior's
- Higher safety standards allow premium pricing for propane
- Superior acknowledged as gold standard of operating practices
  - Extensive employee training programs
  - Investment in a network of distribution facilities making practices like truck to truck transfers unnecessary in everyday business
  - Occupational Health and Safety Specialists and Safety & Technical Specialists that work in our regions and at the national level
  - Daily, weekly, monthly, annual inspections and audits
  - Culture of compliance and continuous improvement

# Operational Improvement Projects

<b>Timeline</b>	<b>Project</b>	<b>Investment (\$ millions)</b>
2006/2008	Onboard truck computer on all bulk and cylinder vehicles	9.0
2007/2008	Business model realignment	3.3
2008/2009	Service business effectiveness	2.6
2007/2008	Fleet renewal program	37.0
2008/2010	Enhance mobile technology	2.5
2008/2010	Information technology system platform upgrade	7.4

# The Superior Journey

## Realigning organization prior to technology implementation

Realigned organization moving from 43 market offices into franchisee/franchisor-like model

Enhance Service Business Effectiveness

Implement CustomerOne Technologies including Mobile computing and EnterpriseOne

2007

2008

2009

Fleet renewal program announced – 265 trucks to replace aging trucks in the field

On Board truck computing for cylinder and bulk trucks

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## Challenges – Focus Areas

- Economic slowdown has caused customer downsizing and closures across the country
- Industrial and oilfield business will likely soften due to lower commodity prices
- Low barriers to entry create increased competition
- Reduced propane demand due to customer conservation, environmental pressures, and switching to cheaper energy sources



# Operational Opportunities

- Business Transformation Initiatives will provide cost savings opportunities
  - Technology implementation
    - Routing and Scheduling
    - EnterpriseOne
- Streamlining the “white goods” offerings
- Centralization of processes allowed labour cost reduction and create greater efficiencies

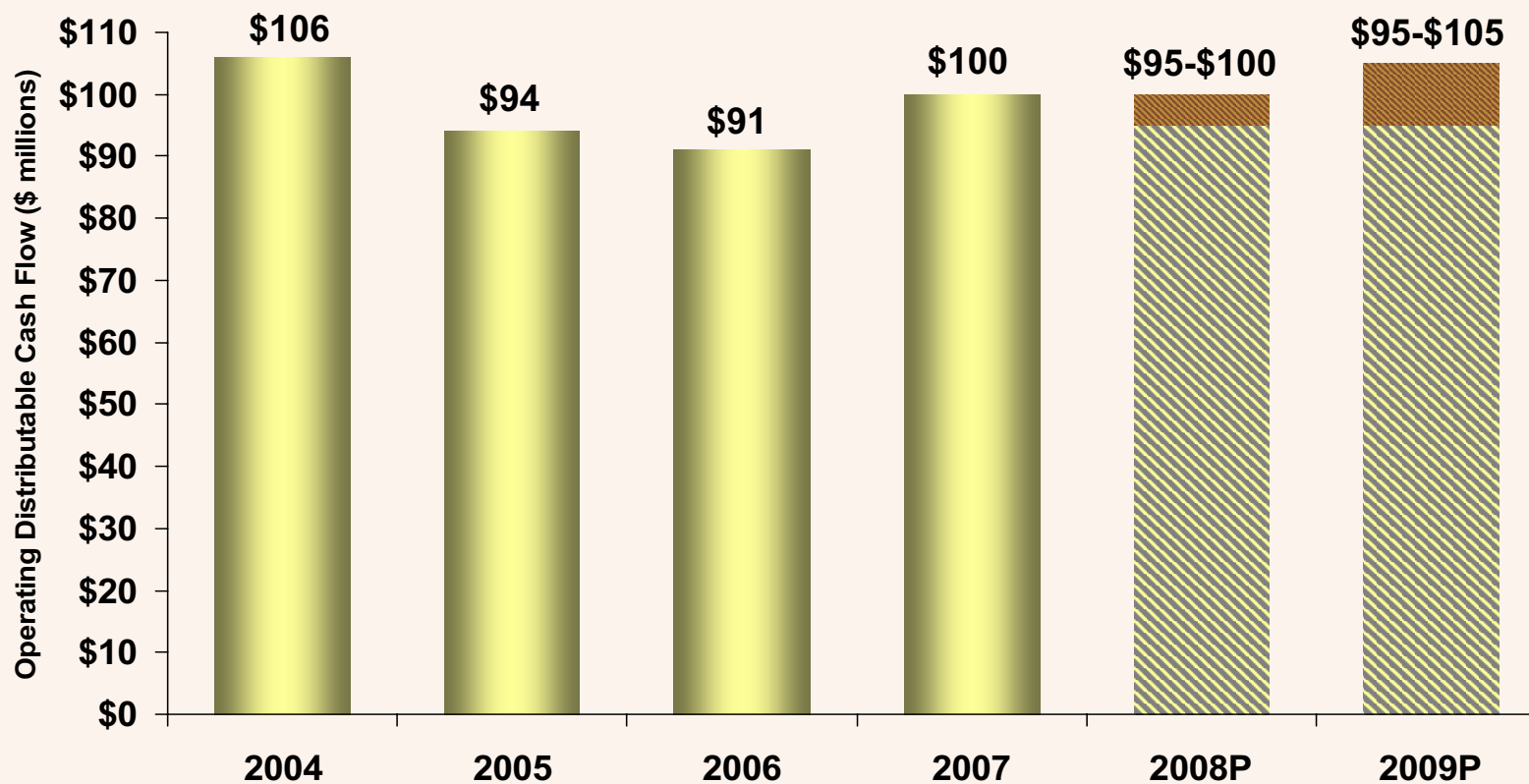
# Growth Opportunities

- Harris Decima research project will allow us to get a deeper view on our customers and potential customers changing needs
- Business Transformation Initiatives will provide growth opportunities
  - Technology implementation and marketing/sales efforts
  - Penetrate existing customer base with service business offering
- Increase wholesale business offering (propane, butane)
- Future growth through acquisitions in Canada and the U.S.
  - Retail and wholesale propane
  - Refined fuels
- Peace of Mind - public recognize us as a strong company with a solid safety record

# Financial Outlook

- Estimated Range
- Projected
- Actual

(\$ millions)



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# Summary

- Propane distribution is a core business segment with stable cash flows
- Market and geographic diversification
- Good top-line growth opportunities in value-added services
- New organizational structure with significant information technology investment

# Questions & Answers

