



**CYPRESS**  
ENERGY PARTNERS



# MLPA Investor Presentation – NYSE: CELP

## May 2018

# FORWARD LOOKING STATEMENTS DISCLOSURE

Some of the statements in this presentation concerning future performance are forward looking within the meaning of U.S. securities laws. Forward-looking statements 1) discuss the Partnership's future expectations, 2) contain projections of results of operations or of financial condition, and forecasts of future events, or 3) state other forward-looking information. Words such as "may," "assume," "position," "forecast," "position," "strategy," "except," "intend," "plan," "estimate," "anticipate," "believe," "project," "budget," "potential," or "continue," and similar expressions are used to identify forward-looking statements. Forward-looking statements may include statements that relate to, among other things, availability of cash flow to pay minimum quarterly distributions on the Partnership's common units; the consummation of financing, acquisition or disposition transactions and the effect thereof on the Partnership's business; the Partnership's existing or future indebtedness and credit facilities; the Partnership's liquidity, results of operations and financial condition, future legislation and changes in regulations or governmental policies or changes in enforcement or interpretations thereof; changes in energy policy; increases in energy conservation efforts; technological advances; volatility in the capital and credit markets; the impact of worldwide economic and political conditions; the impact of wars and acts of terrorism; weather conditions or catastrophic weather-related damage; earthquakes and other natural disasters; unexpected environmental liabilities; the outcome of pending or future litigation; and other factors including those discussed in "Risk Factors" section of our annual report on Form 10-K. Except for historical information contained in this presentation, the matters discussed in this presentation include forward-looking statements that involve risks and uncertainties. The Partnership does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements, or to reflect the occurrence of anticipated and unanticipated events. Forward-looking statements are not guarantees of future performance or an assurance that the Partnership's current assumptions or projects are valid. Actual results may differ materially from those projected. You are strongly encouraged to closely consider the additional disclosures and risk factors contained in the Form 10-K.



# Cypress Provides Essential Midstream Services

## Three Segments

## Description



### Pipeline Inspection Services ("PIS")

Various federal and state laws & regulations mandate regular inspection services for various energy pipelines, gathering systems, gas plants, etc., in the U.S. and Canada:

- Tulsa Inspection Resources ("TIR") is celebrating its 15-year anniversary providing inspection services on both new and existing midstream pipelines, gathering and distribution systems, storage facilities, terminals and infrastructure (including gas plants, pump and compressor stations, etc).
- Services typically include gathering data and the supervision of third-party contractors working for the owner of the pipeline or related assets.
- Revenue is fee-based and driven by time, materials, and expenses based upon the type of work. Over 90% of all our customers are investment grade, and TIR represents ~ 93% of our revenue and ~ 85% of our EBITDA.



### Hydrostatic Testing Integrity Services ("IS")

- Brown Integrity ("Brown") provides hydrostatic integrity services to pipeline owners and their construction companies on both newly-constructed and existing pipelines. These services are generally required by law and regulation.
- Revenue in this segment is driven primarily by the scope-of-work of the integrity services, size and length of the pipelines tested, the complexity of services provided, the utilization of equipment, and the nature and duration of the projects based on fixed-bid agreements with customers plus change orders or service additions.



### Water & Environmental Services ("Water")

- Cypress provides saltwater disposal ("SWD") services to oil and natural gas producers.
- We own & manage nine SWD facilities in the Bakken Shale region of the Williston Basin in North Dakota.
- Revenue is generated on a fixed-fee per barrel basis for treating produced and flowback water and injecting the water into the EPA-approved class II injection wells.
- Approximately 50% of our volumes are received via 6 pipelines into 3 facilities.
- Revenue is also generated by the sale of oil recovered from the water received, and management fees.

# Cypress Overview

**Diversified  
Platform  
Offering Federal  
and State-  
Mandated  
Essential  
Services for  
Core  
Infrastructure**

- Pipeline Inspection Services, primarily federally mandated, will continue to benefit from aging infrastructure and heightened industry focus on increasing standards for regulatory compliance and safety:
  - Cypress provides its services over the entire life of pipeline and midstream assets as required by federal and state regulation which continues to expand.
  - Customers include natural gas local distribution companies (“LDC”), public and private midstream companies, utilities, and upstream E&P companies in over 40 states and Canada.
- Water disposal services are primarily driven by piped produced water, a recurring element in the life of all oil and gas producing wells.

**High-  
Quality, Easily  
Expandable  
Investment  
Grade Customer  
Base**

- Cypress has more than 160 Master Services Agreements (“MSAs”) and has added 30 new customers in 2016 and 40 new customers in 2017, with 1,000+ potential customers available with limited capital required.
  - PIS and IS serve over 150 customers while Water caters to another 25+ customers.
  - TIR customer retention is greater than 98% over 15 years.
- Across its three business segments, ~85% of Cypress' revenue is from investment grade (“IG”) customers (with >90% of PIS revenue from IG customers). Virtually no bad debt costs at TIR during its 15-year history.

# Cypress Overview (Continued)

**Stable Current  
Cash Flow Base  
Well Positioned  
to Grow by  
Capturing  
Increasing  
Industry  
Investment  
From Higher  
Commodity  
Prices**

- 2018 capital spending estimates and trends are continuing to strengthen with U.S. rigs up 257% over May 2016 trough. Oil prices have more than doubled from bottom.
  - Customers limited their maintenance capital spending throughout downturn, as entire industry “cut costs” to preserve capital, was unsustainable and implies near-term growth.
- Market clearly bottomed in Q2 2016 trough.
- Current growing cash flows are sustainable with ability to realize significant upside as market recovery continues.
  - CELP’s low capital expenditure requirements provide it with significant financial flexibility.
- Maintained a perfect record of operating profitably, making distributions, meeting its financial covenants, and reporting requirements despite 2-year difficult industry downturn that impacted all energy companies.
- Water business segment poised to benefit both from higher prices, Bakken rebound, and increased completion intensity trends that generate more water for disposal.
- TIR has an impressive 15-year history operating profitably despite the 2008 financial crisis and the 2-year energy downturn in 2015-2016.

**Unique PLR &  
Excellent  
Safety Culture**

- Cypress holds the only MLP IRS private letter ruling (“PLR”) for pipeline inspection and integrity services.
- Excellent safety record and culture, with a total recordable incident rate of 0.24, relative to a 1.0 industry average.

# Cypress Overview (Continued)

- Cypress Energy Holdings, LLC was founded in March 2012 by Regent Private Capital and Peter C. Boylan III and is headquartered in Tulsa, Oklahoma.
- In May 2013, Cypress received a Private Letter Ruling (“PLR”) from the Internal Revenue Service (“IRS”) for a broad array of activities, including but not limited to inspection, integrity, and water and environmental management services.
- Cypress Energy Partners, L.P. was formed in September 2013 as a diversified master limited partnership and completed its IPO on January 21, 2014.
- Cypress plans to grow both organically and through acquisition including drop downs from general partner.
- 2017 Adjusted EBITDA Attributable to Limited Partners of \$18.7 million.

## CELP Key Statistics

Public Common Units (MM)	4.3
Sponsor and Affiliate Common Units (MM)	7.6
<b>Total Units Outstanding</b>	<b>11.9</b>
Price as of May 21, 2018	\$ 6.80
<b>Market Capitalization</b>	<b>\$ 78.8</b>
Credit Facility as of May 21, 2018	\$ 119.9



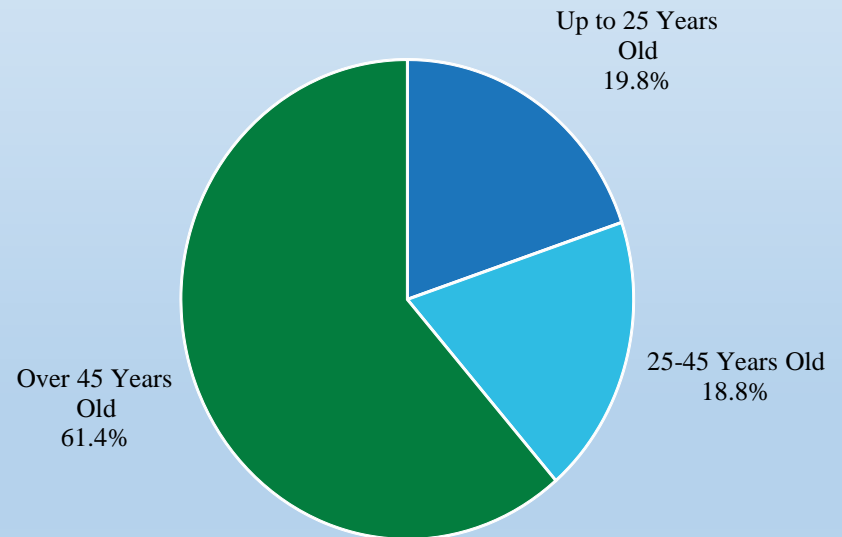
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# Well Positioned to Benefit from Significant Positive Industry Fundamentals

**Coupled with increased regulatory scrutiny, both aging and major buildout of new midstream infrastructure will continue to drive demand**

- Inspection and hydro testing provide a safe means of establishing pipeline integrity to minimize the likelihood of subsequent pipeline failure.
  - Under heightened scrutiny due to public incidents and the continued increase in the age of U.S. infrastructure.
  - Industry has been underspending on maintenance in recent downturn to preserve liquidity.
- Significant increase in domestic production has driven demand for additional pipelines and infrastructure, fueling new build construction and subsequent demand for inspection and integrity services.
- Enhanced regulatory oversight at the federal and state level increase obligations for producers and midstream operators to conduct testing.
  - Operators are not typically staffed to handle these demands and increasingly prefer to outsource to independent contractors.

**Approximately 80% of U.S. Pipeline Infrastructure is Over 25 Years Old**



# High-Quality Diversified Customer Base with Material Runway to Capture Market Share

## PIS & IS Overview

- 150+ customers in North America – >90% are investment-grade publicly traded companies.
  - Midstream companies, upstream producers with infrastructure, LDCs and / or public utility companies that provide natural gas to customers.
- Over 160 MSAs, continue to diversify and grow organically adding over 30 new customers in 2016 and approximately 40 new customers in 2017.
- Limited capital required to diversify into new business lines with existing customers and / or continue to expand the customer base.
  - During downturn CELP began shifting focus to higher margin lines of business.
- Available market is well over 1,000+ energy companies that have infrastructure requiring inspection.

## Water Overview

- >25 customers in North Dakota.
- Primary customers are publicly traded Bakken-focused upstream producers.
- Serves oil & gas transportation companies serving the E&P customers and crude oil purchasers / marketers.
- Current SWD utilization of 24% provides opportunity for significant volume and / or customer additions at little to no additional cost.
- >60% gross margin and excellent free cash flow.

## Notable Customers

### PIS



### IS



### Water





# Cypress' Additional Growth Opportunities

Inorganic Opportunities	Diversification of Existing Service Offerings	<p><b>Cypress' broad PLR allows the Partnership to diversify into other businesses it is not currently active in, including:</b></p> <ul style="list-style-type: none"> <li>▪ Additional inspection services (ILI, pigging, LIDAR, nitrogen, cleaning, chemicals).</li> <li>▪ Traditional midstream assets (pipelines, storage, etc.).</li> <li>▪ Remote sensing and monitoring, transloading.</li> <li>▪ Solids, recycling, oil reclamation, expanded geography.</li> </ul> <p><b>Acquire remaining 49% in Brown Integrity</b></p>
Organic Opportunities	Expand Inspection Customer Base (PIS)	<p><b>Expand TIR inspection customer base of 150+ clients:</b></p> <ul style="list-style-type: none"> <li>▪ Growing federal and state regulations.</li> <li>▪ New proposed PHMSA rules as well as proposed rules in California and other states.</li> <li>▪ Currently serve small subset (&lt;8%) of available market including upstream, midstream and LDC / public utilities (1,000+ prospects).</li> </ul>
	Leverage Hydro-Testing Acquisition (IS)	<p><b>Grow Brown's geographic footprint:</b></p> <ul style="list-style-type: none"> <li>▪ Current operations span 15 states, with potential to expand to TIR's 40 states plus Canada.</li> <li>▪ Opportunity to expand breadth of services.</li> </ul>
	Utilize Unused SWD Disposal Capacity (Water)	<p><b>Facilities are currently only ~24% utilized:</b></p> <ul style="list-style-type: none"> <li>▪ Capturing business requires minimal capital spending unless opting to build new pipelines.</li> <li>▪ Facilities capable of handling over approximately 40 MMBbl per year.</li> <li>▪ &gt;500 uncompleted ("DUC") wells awaiting completion within 30 miles, infill drilling will increase volume.</li> </ul> <p><b>Introduction of Ancillary Services and/or Development of New Facilities:</b></p> <ul style="list-style-type: none"> <li>▪ Fresh water, solids, recycling, and truck washout.</li> </ul>



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# Operational & Financial Overview

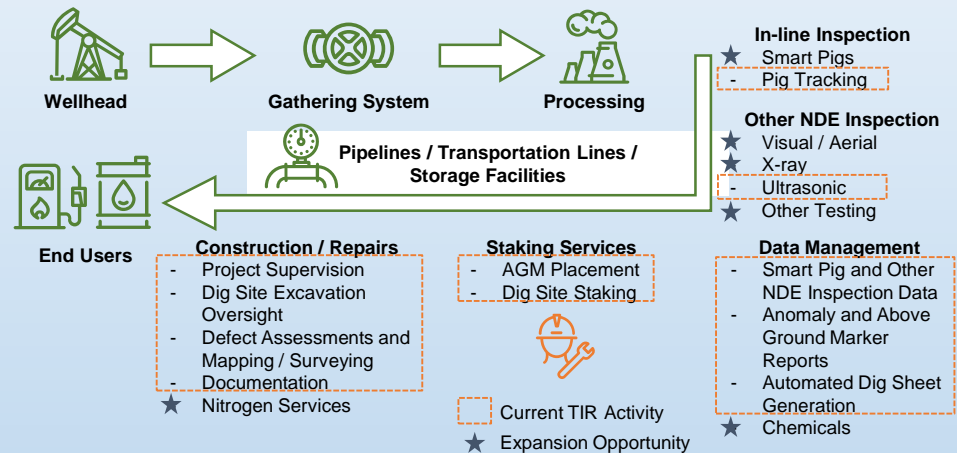
# TIR Offers Essential Services to the Energy Industry

Cypress' PIS includes project coordination, staking services, pig tracking services, maintenance inspection, construction inspection, ultrasonic nondestructive examination services, etc.

## Overview

- Pipeline Inspection Services operates as an unconflicted independent inspection services provider through TIR.
  - ~40 states and Canada.
  - Over 1,100 current inspectors with access to 16,000+ inspectors.
- TIR provides inspection and integrity services to oil and natural gas producers, LDCs, public utilities and other pipeline operators that are required by law to inspect their gathering systems, storage facilities and terminals, infrastructure (including pump and compressor stations), distribution systems and pipelines.
- Relative to construction and repair management services, TIR generally does not “touch the pipe” in its delivery, reducing the liability exposure that vendors often face serving pipeline owners.
  - Inspectors use their own vehicles to travel to work sites, further reducing liability.
- TIR has recently expanded into new pipeline support services including the transportation and lifting of pipeline inspection equipment, and pig and inspection tool cleaning / maintenance.
- Cypress' 49%-owned CF Inspection Management provides a minority vendor option.

## Current Pipeline Inspection and Service Offerings



## Customers

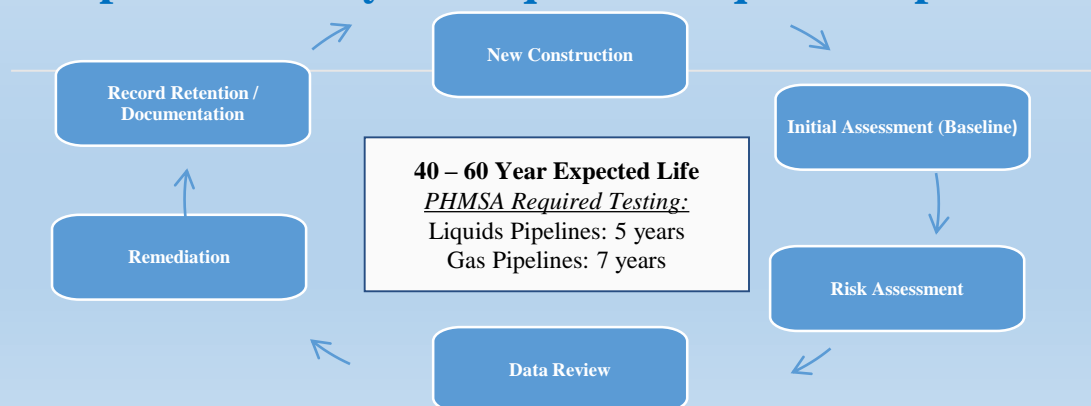




# Pipeline Inspection Services Overview

- PIS covers a variety of services to ensure the safety and security of oil and gas products transported through pipelines.
  - **In-line Inspection and Other Nondestructive Examination (“NDE”) Services**
    - Involves pipeline inspection gadget, or “pig”, that travels through a pipeline collecting data on conditions present.
    - Other NDE services include visual, acoustic, x-ray and ultrasonic.
  - **Data and Integrity Program Management Services**
    - Data generated during inspection must be documented and maintained.
  - **Staking Services**
    - Location of potential anomalies identified with above ground marker.
  - **Mechanical Integrity Services**
    - “In the fence” work within gas plants, compression stations and refineries.
  - **Construction and Repair Management Services**
    - Inspectors supervise, on behalf of operator, construction, inspection, maintenance and repair to ensure standards are met.
  - **Cleaning, Decontamination & Tool Lifting, ILI and ILI Support Services**
    - Transporting and lifting of pipeline inspection tools, cleaning of pigs and inspection tools.

## Pipeline Life Cycle Requires Frequent Inspection

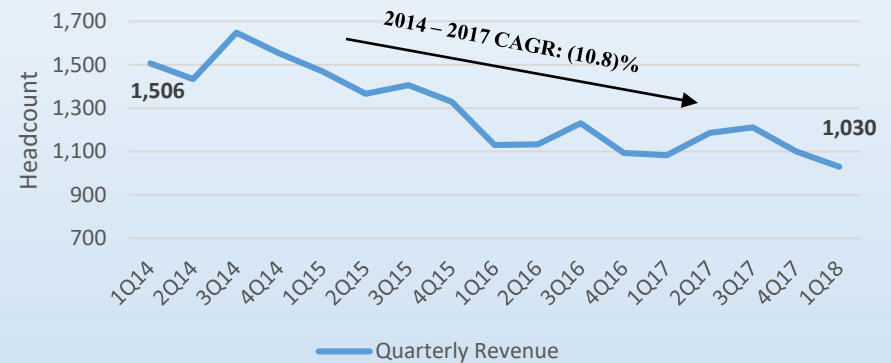




# PIS Demonstrates Stability and Resilience With a Highly Positive Outlook

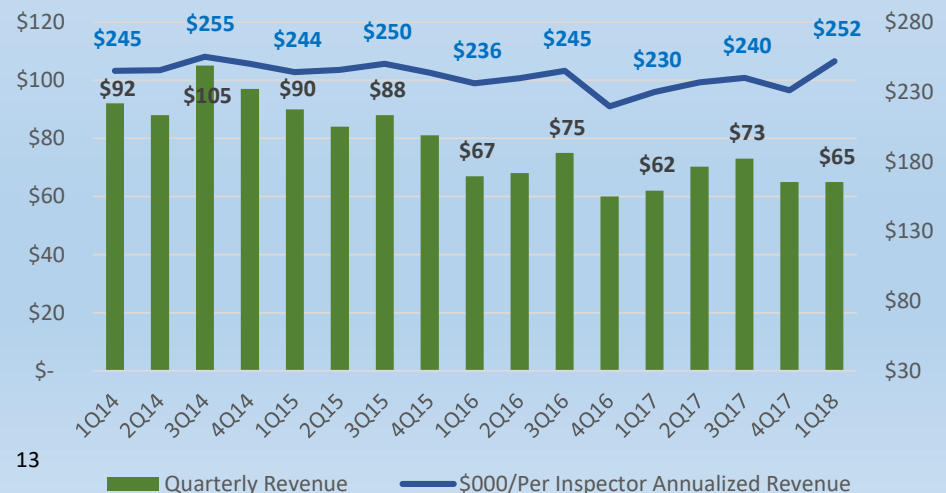
- Cypress' flexible revenue and cost structure with limited capital expenditure requirements allows the Partnership to manage profitability despite project and market fluctuations.
- TIR revenue is driven by:
  - Recurring maintenance, repair and operations activities, providing a consistent, steady stream of cash flow relatively insulated from commodity price swings.
  - New construction positions Cypress to benefit from broad industry growth, and later in the pipeline life cycle, additional recurring integrity and maintenance revenue.
- Customers typically pay an hourly or daily rate per inspector based upon their skills and certifications and per diem expenses (no margin realized on per diem).
  - Inspectors are only paid when billable by a client.
  - Mileage is non-taxable pay to inspectors.
- Cypress has focused its strategic efforts on higher-margin service delivery, over lower-margin basic inspection service offerings with higher headcounts.
  - While many of Cypress' customers were significantly impacted by the downturn, CELP was able to sustain a positive cash flow profile, demonstrating an impressive resilience through the crisis and the success of these efforts.
  - Strong macroeconomic growth drivers coupled with the stability of current revenue streams provide a very positive outlook for PIS.

**Cypress Has Focused on Higher Margin Services**



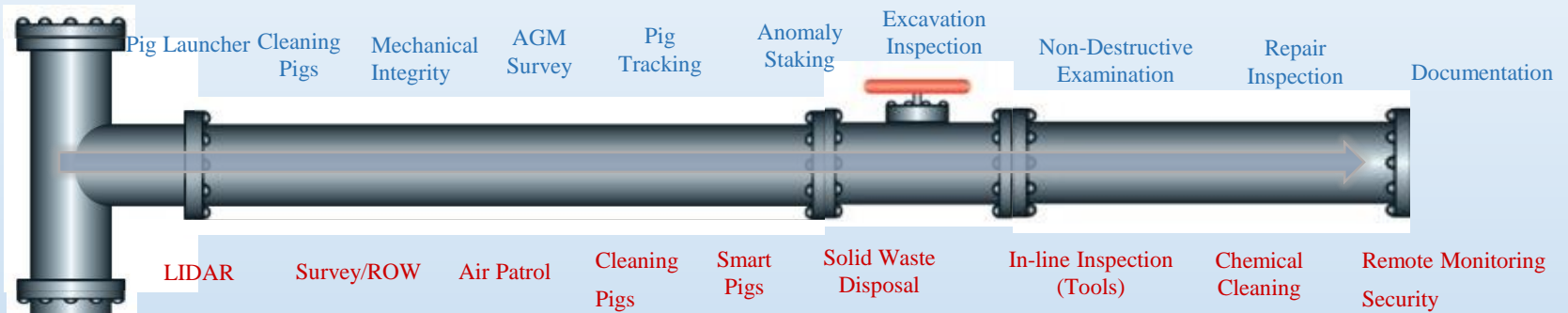
**While revenue fell at a 9.1% CAGR 2014 – 2017, revenue per inspector dropped at a less than 1% CAGR and margins were maintained**

**Maintaining Profitability Through the Downturn**

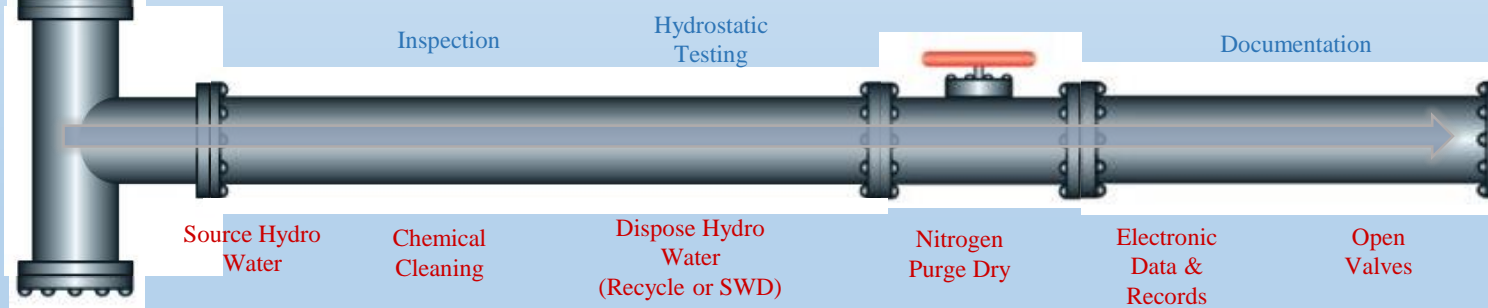


# Numerous Inspection and Integrity Growth Opportunities

## Pipeline Inspection Services



## Hydrostatic Integrity Testing



### Legend

Current Services

Potential Services

# Hydrostatic Testing and Integrity Services Overview

**Leveraging highly trained staff, Brown scales its fleet of industrial equipment to deliver a necessary service to a myriad of operators fulfilling their regulatory obligations**

## Overview

- Hydrostatic Integrity Services is operated through Brown Integrity, LLC.
  - Headquartered in Giddings, TX, Brown was founded in 2010.
- Provider of hydrostatic testing and related services to the pipeline industry across 15 states.
  - Fixed fee contracts with extras contribute 20 to 30% gross margins to the Partnership.
- Brown >50 MSAs with an array of customers.
- In May 2015, Cypress acquired 51% of Brown.
  - Cypress has various rights to acquire the remaining 49%.



## Brown's Equipment Fleet

- Brown's fleet is comprised of purpose-built equipment, test trailers and a highly trained professional staff.
- Typical jobs can require 2 trucks (monitoring station, pressure pump, other equipment) and 2 field personnel.

### Fill & Pressure Equipment



### Pressure Pump & Compressor



### Drying Equipment



### Chart Recorders



# Brown Boasts an Impressive List of Recent Engagements and Clientele

## Business Development Process

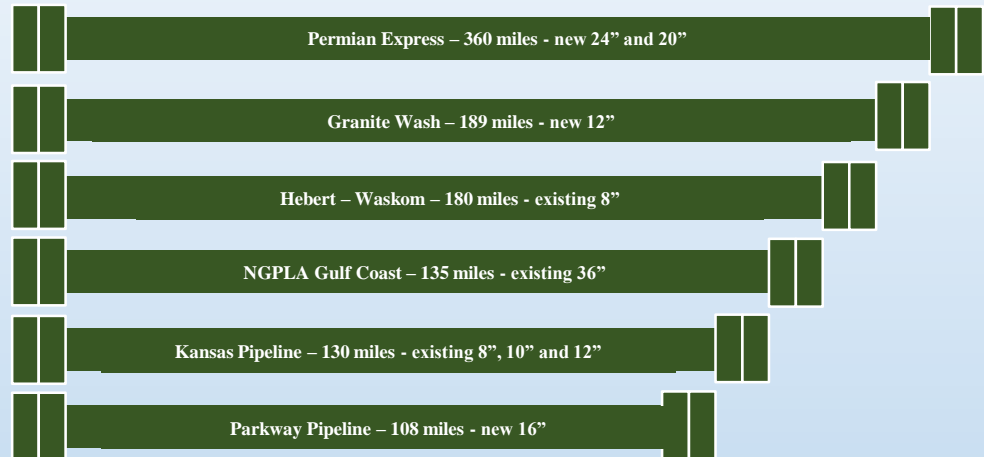
- Hydro testing service providers are generally selected in a competitive bidding process as follows:

- 1 Call for Expression of Interest
- 2 Prequalification Package
- 3 Request for Quotation
- 4 Package Review / Site Visit
- 5 Estimate
- 6 Submission of Tender
- 7 Clarification and / or Post-Bid Meetings
- 8 Award

- Brown bids its work on a fixed-price, plus change order basis:
  - ▶ Labor
  - ▶ Time
  - ▶ Sub-Contractors
  - ▶ Equipment

Field change orders not anticipated in the original bid are common, which generates additional revenue and margin

## Notable Engagements



## Customers

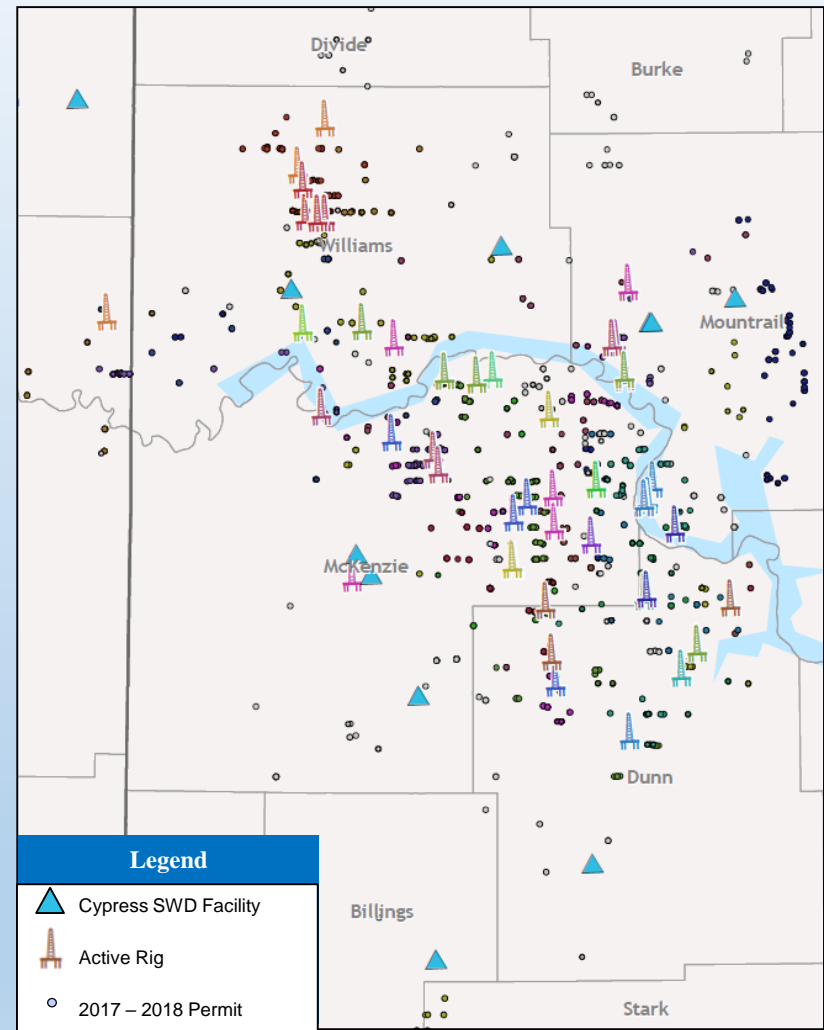




# Water Disposal (SWD) Business Overview<sup>1</sup>

- Water division currently consists of 9 SWD facilities located in the Bakken Shale in North Dakota.
  - Cypress acquired the majority of the facilities in 2 transactions in 2012.
  - Cypress manages and owns a 25% interest in the Arnegard Facility in Watford City, ND.
- Annual injection capacity of approximately 53 MMbbls without any incremental capital expenditures (approximately 24% utilized in 2017).
- 2017 average disposal volume of approximately 37 MBpd (4Q17 approximately 49 MBpd).<sup>1</sup>
- Approximately 50% of Q1 2018 volumes were piped via gathering systems from 6 pipelines into 3 facilities.
  - Over 90% of volumes are produced water which is available over the life of the well.
  - Over 50 rigs working in Bakken.
- In 2017, Water represented approximately 3% of Cypress' revenue and 15% of Gross Margin, with growth driven primarily by the addition of 2 newbuild water pipelines with long-term contracts and acreage dedications.
- Pipeline opportunities continue to develop as basin matures and producers continue to realize benefits of a dedicated water management strategy.
- Cypress sold its 2 Permian Basin SWDs early this year on very attractive terms and paid down debt.

## Facility Asset Map – Williston Basin - North Dakota



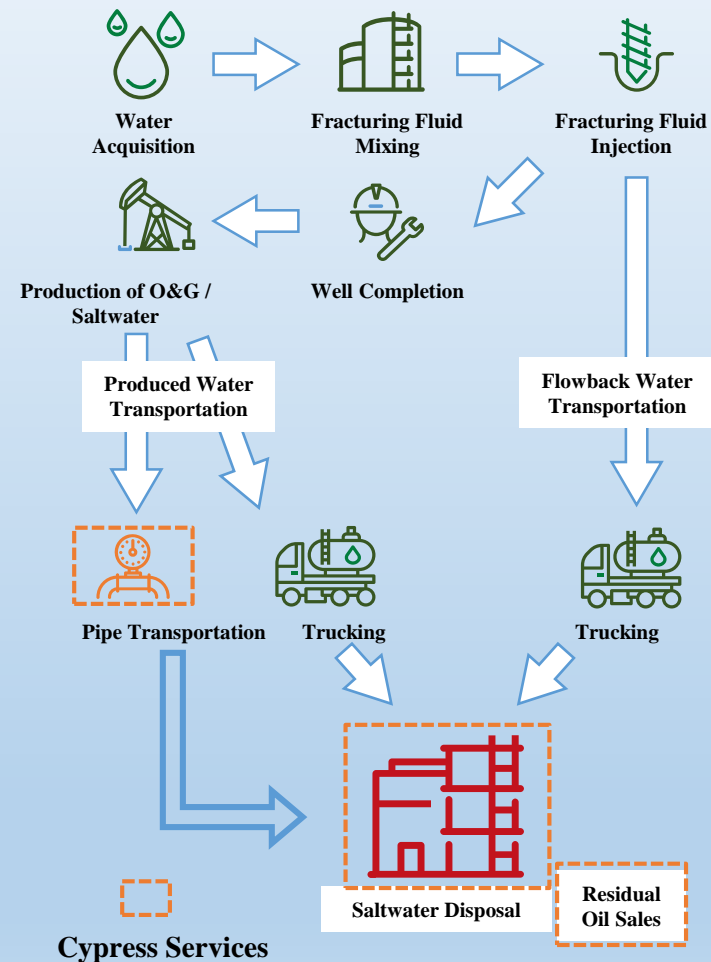
Source: Cypress and DrillingInfo as of March 2018

1. Volumes and facility count include 100% of the Arnegard Facility, in which Cypress has a 25% non-controlling interest and receives a management fee

# Cypress' Saltwater Disposal Business Overview

- Cypress' Water business segment generates fee revenue by treating produced and flowback water and recovering oil for sale prior to injecting the water into the earth in a Class II EPA injection well.
- Volumes of saltwater disposed at Cypress' facilities are driven by water volumes generated from existing oil and natural gas wells during their useful lives and development drilling and production volumes from the wells located near Cypress' facilities.
  - 12.6 MBbls disposed in 2017.
  - Current volumes > 35K barrels per day.
- Fees are charged on a per-barrel basis
  - Long-term contracts with acreage dedications
  - Short-term contracts which vary based on the quantity and type of saltwater disposed, competitive dynamics, and operating costs.
- For minimal marginal cost, Cypress generates revenue by selling residual oil recovered from flowback and produced water.
- The SWDs generate strong margins and provide significant upside potential with higher oil prices driving the recovery in the Bakken Region.
- Each SWD was built with high quality designs that include weather and heat tracing, automation, lightning suppression, and video surveillance. Most locations also include employee housing, offices, a driver's lounge, restrooms and showers, as well as other amenities.
  - Average facility age of six years.

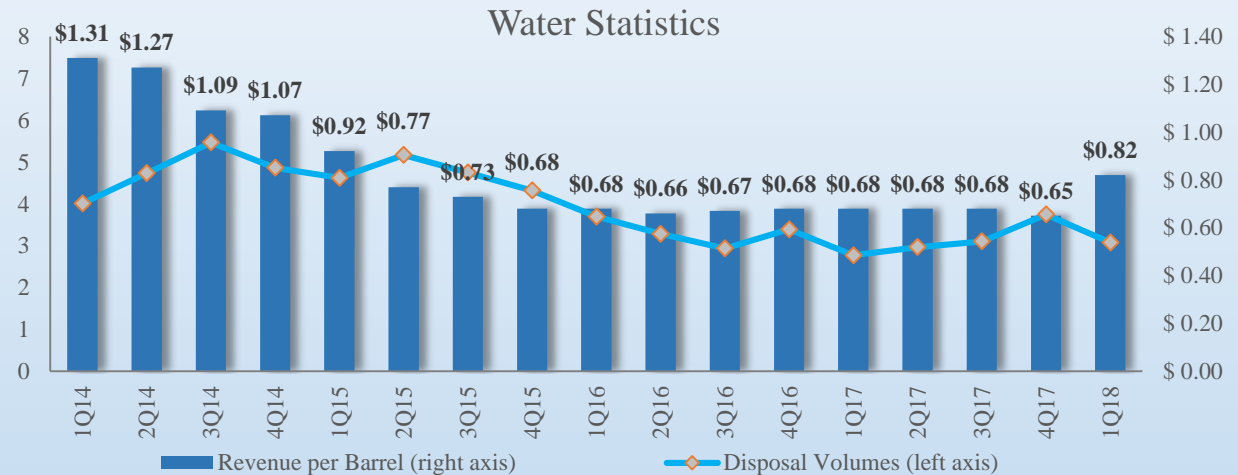
## Saltwater Disposal Process



# Water Business Has Stabilized With Significant Opportunity For Upside

Volumes Show Modest Gains With Steady Margins<sup>1</sup>

- Cypress' counterparty profile provides low credit risk and key stability
- Rising commodity prices and rig counts are increasing activity



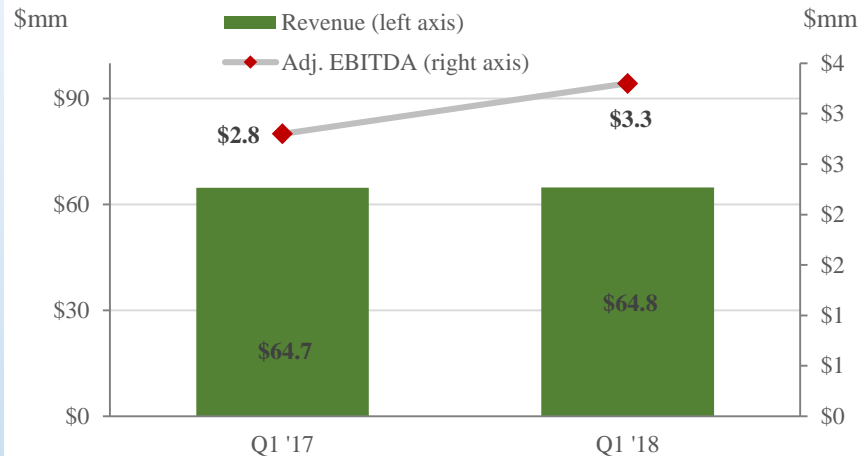
## Select Cypress Counterparties



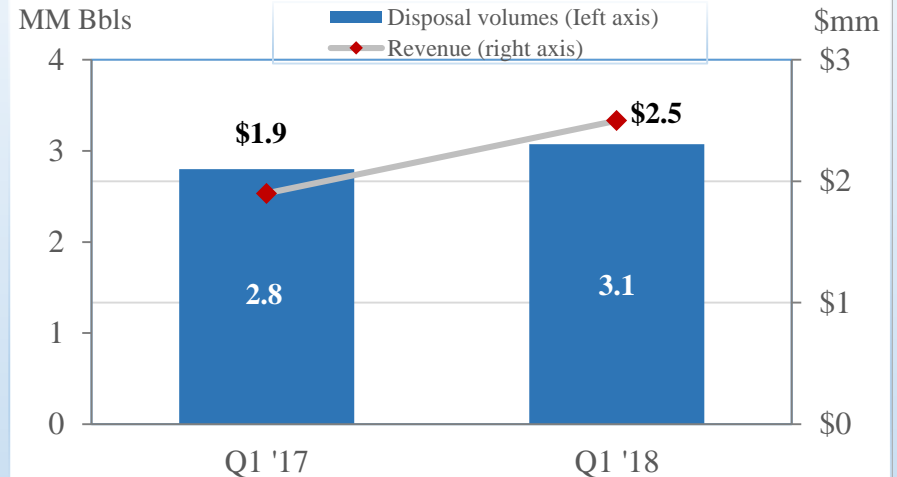
1. Excludes Amegard volumes and reflects two Permian SWD's divested in 2018

# CONSOLIDATED FINANCIAL PERFORMANCE

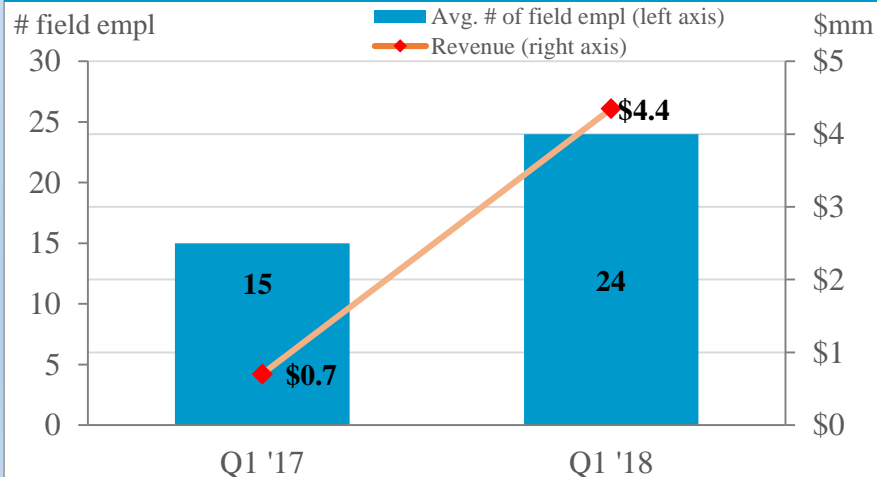
## Revenue & Adjusted EBITDA<sup>1</sup>



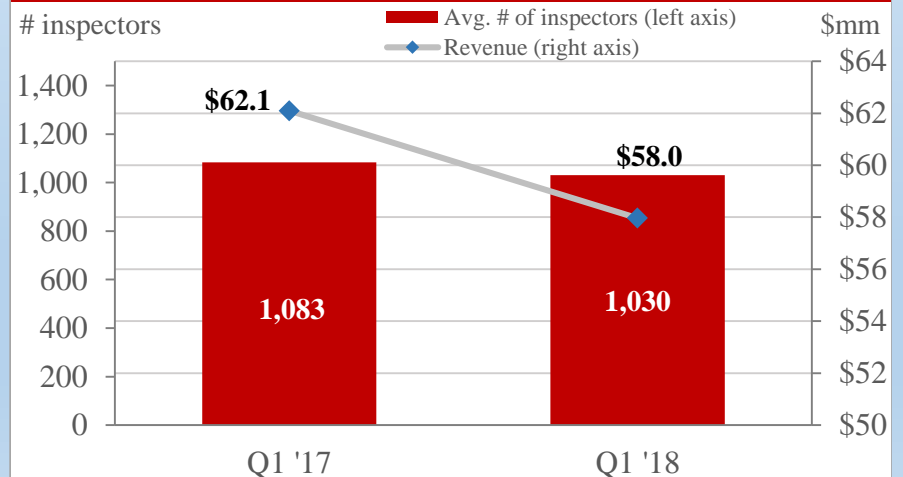
## Water Summary



## IS ( Brown Hydro Testing) Summary



## PIS (TIR) Summary

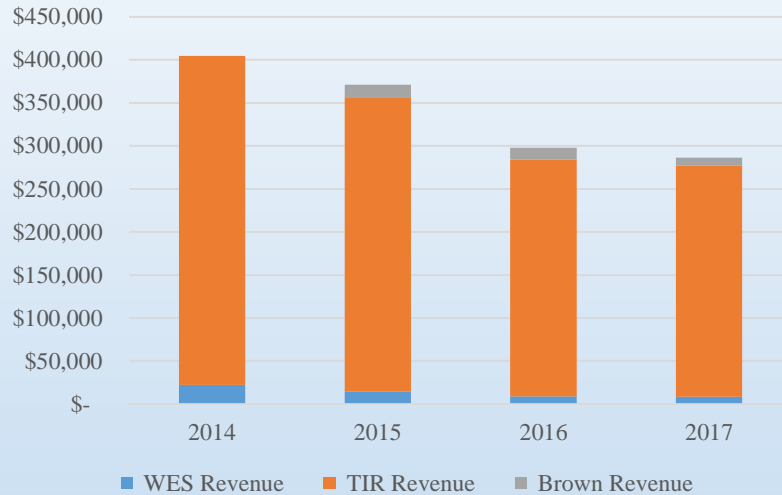


<sup>1</sup> Attributable to Partners (Includes 51% of IS)

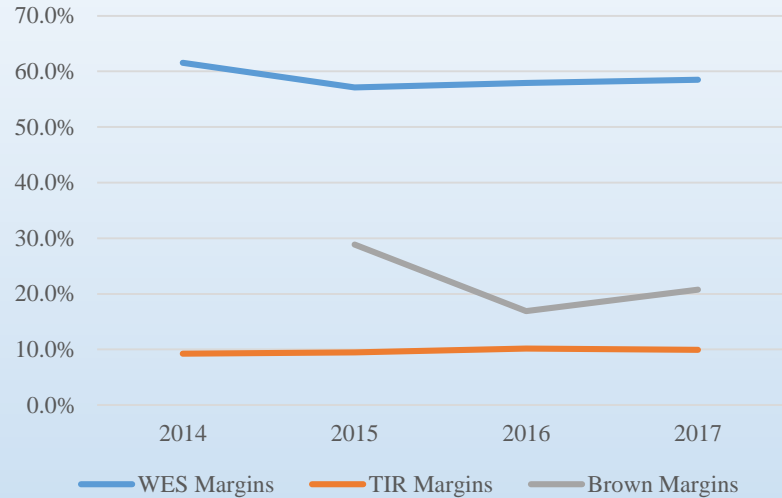


# HISTORICAL KEY METRICS

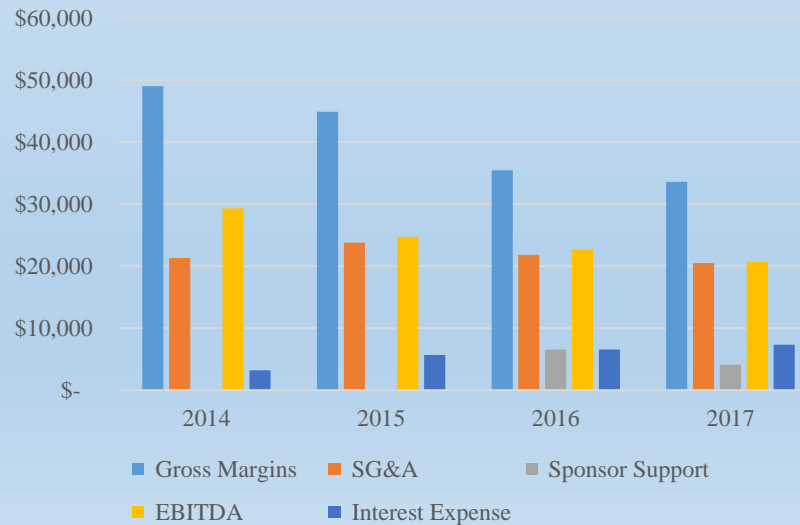
## Revenues



## Gross Margins

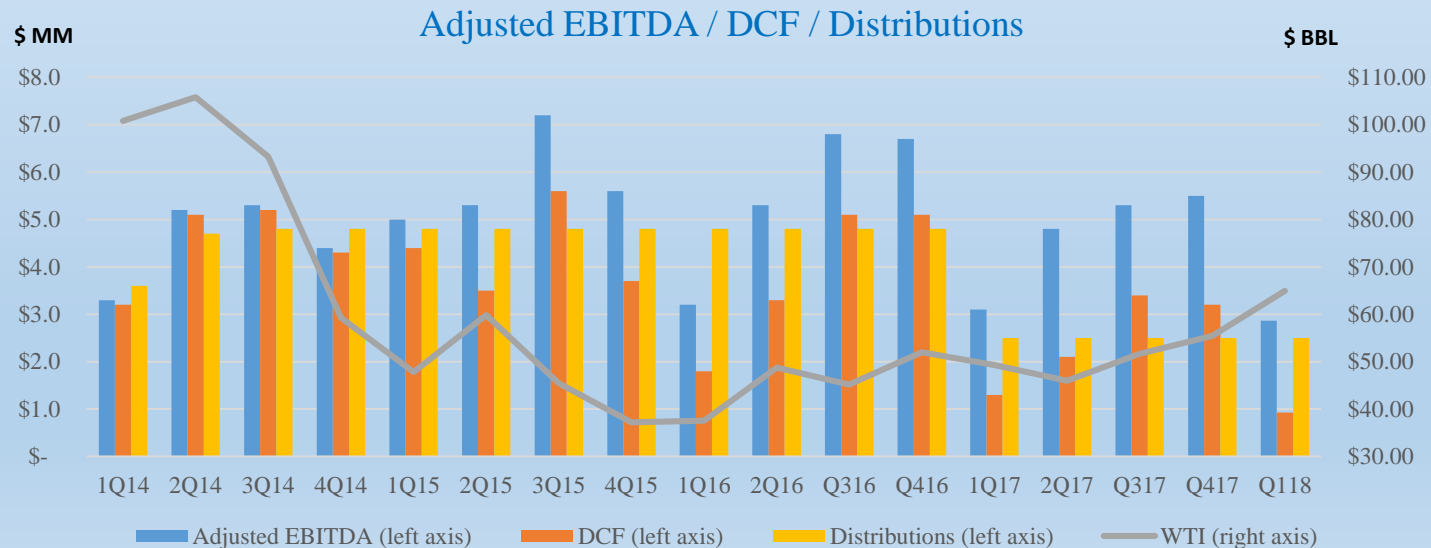


## Operational Metrics



# OUR GENERAL PARTNER HAS BEEN SUPPORTIVE DURING DOWNTURN

- CELP successfully managed the downturn. TIR has become the dominant portion of Partnership's operating income while Water has begun recovery.
- Historical EBITDA and DCF has Water segment in all periods presented, PIS segment with 50.1% of TIR from IPO through January 2015 and 100% TIR thereafter, IS (hydrotesting) segment with 51% of Brown from May 2015.
- Our sponsor (CEH) provided support of \$4.1 million in 2017 and \$6.3 million in 2016. This support was provided without any consideration to CEH.
- Our business bottomed in Q2 2016 and has been improving since. Q1 2018 operating results were materially better than Q1 2017.



# 2018 Refinancing Summary

- Existing lenders required Cypress to materially deleverage to 3.75X TTM EBITDA as part of a credit facility renewal. As a result, we will have reduced outstanding debt from approximately \$137 million at 12/31/17 to approximately \$76 million at closing.
- Cypress sold its Permian Basin SWDs on favorable terms to reduce outstanding debt; and
- Cypress received a commitment from an affiliate of CEH to invest up to \$50.0 million of convertible preferred equity or (“PIPE”) and then shopped the terms to ensure fairness.
  - PIPE terms include standard and customary provisions, no warrants, nor will it require payment of any origination fees.
  - Conversion premium is 15%.
  - 9.5% interest rate (at least 2.5% in cash and 7.0% in may be paid in kind) for the first 12 quarters after closing.
  - After the third anniversary of the closing date, Cypress will have the option to redeem the preferred units on favorable terms.
- The terms of the new 3-year renewal were market. We eliminated the borrowing base and it is now purely a \$90.0 million revolver with a \$20.0 million accordion feature (for a total of \$110.0 million) revolving credit facility.
  - We may borrow up to 4.0x Trailing Twelve Month (“TTM”) adjusted EBITDA for senior debt, or we may incur additional indebtedness so long as the pro forma senior secured leverage ratio does not exceed 3.25x and total leverage does not exceed 4.75x.
  - Customary covenants also include a minimum interest coverage ratio of 3.0x.
  - Interest rate of LIBOR plus 250 to 400.

# Cypress Offers a Stable Underlying Cash Flow Base Levered to Continued Recovery and Growth

- Capital spending throughout the U.S. energy industry dropped approximately 50% since 2013, but leading indicators and 2018 estimates have shown material uplift, with U.S. rigs up 257% over May 2016 trough.
- Customers limited maintenance capital spending throughout downturn as entire industry “cut costs” to preserve capital, which is unsustainable over the long-term.
- Market has clearly bottomed in Q2 of 2016, with current Cypress cash flows viewed as highly sustainable with the ability to realize significant upside as the recovery continues.
- CELP’s low capital expenditure requirements provide it with significant financial flexibility.
- Water business segment poised to benefit both from new pipelines, the re-opening of one facility, the Bakken rebound and increasing completion intensity trends.





**CYPRESS**  
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Thank You

