

ENERFLEX

Letter to Shareholders

2020 Annual and Special Meeting of Shareholders

May 8, 2020

I would like to speak directly to our shareholders about the long-term vision and strategy of Enerflex.

Enerflex has served the global natural gas industry for 40 years. Our vision is to build a stable, natural gas infrastructure ownership business. Our strategy is to do this in a differentiated manner that leverages our 40-year history of building and servicing compression, gas processing and power generation worldwide.

6 years ago, we started executing on this vision with the \$460 million acquisition of natural gas infrastructure in Latin America and the Middle East. Since then, Enerflex has increased our base of owned natural gas assets tenfold from a net book value of \$67 million to \$670 million. During this period of investment, we have kept our leverage ratio in a sector-low range of 0.17x to 1.99x thanks to cash generated from our industry leading Engineered Systems sales and After-Market Service franchises. Since 2011, Enerflex has never had a year of negative free cash flow before growth capex and we have delivered an average return on capital employed of over 11%.

Let's pause for a moment and really consider those numbers: a tenfold increase in revenue generating assets, leverage that has never exceeded 2x, consistently free cash flow positive and a return on capital employed of 11%. Never mind energy investments, how many S&P 500 companies can boast these numbers?

Enerflex defines operational and financial success with fundamental measures that balance growth, profitability and capital efficiency in order to build shareholder value. Operating margin, pre-tax earnings and return on capital employed have been our core metrics since 2011.

These metrics are just as appropriate in good times as in bad and they speak directly to long-term value creation that stakeholders claim is all too rare in the energy space. We have no plans to alter these principles as we grow our business.

Saying all this, it is clear to Management and the Board that the elephant in the room is our share price performance over the last year. Has the share price performance shaken our commitment to our strategy? Not at all. In fact, it has reinforced the need to continue our investments in global natural gas infrastructure that is afforded by being a vertically integrated provider with scale.

Making astute investments, however, is not enough unto itself. The same assets given to two different management teams can yield greatly varying returns. Enerflex's Team must strive to be the best operators of those assets globally, maximizing earnings, profitability and capital efficiency year after year, through the cycles.

I would like to say a few words about global warming and the environment. Current investor frameworks for assessing climate change risk require thorough disclosure of greenhouse gas emissions. Enerflex has a goal of producing these disclosures by this time next year. Enerflex currently manages climate risk in all areas of our business and investments. As investors digest these emerging frameworks for climate risk, we would stress, that Enerflex's belief is that no meaningful progress on reducing global greenhouse gas emissions will be achieved with supply side actions alone.

Striving for "progress" is an inherent human characteristic. Progress means different things to different people, but in most of the world progress is directly linked to an increased demand for energy, most significantly for clean electricity.

Coal accounts for 38% of the world's electrical power generation. It is the incumbent in a three-way race among natural gas, coal and renewables to energize economic development. Natural gas provides a 49% reduction in CO₂ emissions per unit of energy compared to coal and most importantly it is Enerflex's core business.

Enerflex's products and services enable the people of Oman to meet an increasing portion of their demand for energy with natural gas – it displaces crude oil and coal. The same can be said for Brazil, Colombia, Bahrain and indeed all 17 countries where we operate – including Canada and the USA. Clearly, natural gas will be a global transition fuel for many decades.

As the world must put our collective "shoulders to the wheel" to deal with climate change, natural gas will play a prominent role, but most important, Enerflex employees will have their feet planted firmly on the ground and our shoulders will be placed squarely on that wheel.

I will close by thanking our stakeholders: our shareholders, our clients and our employees, many of whom are also shareholders. We believe that long term value creation is only possible when we can bring the needs of all three of these constituents into harmony.

Yours Truly,

Marc Rossiter, P.Eng.
President, CEO, and Director