Hess Midstream LP Announces Guidance, Increases and Extends Return of Capital Program Through 2026

January 31, 2024

2024 Guidance

- ***Hess Midstream LP expects throughput volumes in 2024 to increase by approximately 10% across gas and oil systems compared with 2023.***
- ***Hess Midstream LP expects $670 - $720 million of net income and $1,125 - $1,175 million of Adjusted EBITDA[1] in 2024, representing an approximate 12.5% increase in Adjusted EBITDA, at the midpoint of guidance, compared with 2023 supported by growing revenues and stable operating costs.***
- ***Hess Midstream LP expects total capital expenditures of $250 - $275 million in 2024 and expects to generate approximately $115 million of Adjusted Free Cash Flow[1] after distributions at the midpoint of guidance.***

Long-Term Guidance

- ***Completed annual tariff redetermination process that established minimum volume commitments ("MVCs") for 2026 and increased 2025 MVCs for gas and oil systems to imply annualized growth in gas throughput volumes of approximately 10% from 2024 through 2026, and continued growth in oil throughput volumes of approximately 10% in 2025 and approximately 5% in 2026.***
- ***Hess Midstream LP expects at least 10% growth per year in net income and Adjusted EBITDA in each of 2025 and 2026, supported by already established MVCs.***
- ***Hess Midstream LP expects capital expenditures of $250 - $275 million per year through 2026, stable compared with 2024 levels.***
- ***Adjusted Free Cash Flow is expected to grow by greater than 10% per year in 2025 and 2026, which is more than sufficient to fully fund targeted growing distributions.***
- ***Hess Midstream LP continues to prioritize financial strength and extends its long-term leverage target of 3x Adjusted EBITDA through 2026, with leverage expected to be below 2.5x Adjusted EBITDA by the end of 2025 and to continue below this level through 2026.***

Return of Capital

- ***Hess Midstream LP is extending and increasing its Return of Capital framework through 2026:***
  - ***Targeting annual distribution per Class A share growth of at least 5% through 2026, expected to be fully funded from Adjusted Free Cash Flow.***
  - ***Greater than $1.25 billion of financial flexibility through 2026 for incremental shareholder returns, including potential unit repurchases, expected to be funded from excess free cash flow beyond targeted distribution growth and leverage capacity compared with our long-term target of 3x Adjusted EBITDA.***

HOUSTON--(BUSINESS WIRE)--Jan. 31, 2024-- Hess Midstream LP (NYSE: HESM) ("Hess Midstream") today provided financial and operational guidance and expectations.

"We continue to execute our strategy of making focused investments to capture increasing volumes in the Bakken," said John Gatling, President and Chief Operating Officer of Hess Midstream. "Our 2026 minimum volume commitments imply substantial growth from 2023 levels, underpinned by Hess' planned development activity and our continued focus on gas capture. This growth is expected to result in sustainable excess cash flow generation and the potential to return additional capital to our shareholders."

Full Year 2024 Guidance

Hess Midstream's financial guidance incorporates the outcomes of the year-end tariff rate recalculation and nomination process conducted with Hess Corporation ("Hess") under Hess Midstream's commercial agreements with Hess.

Hess Midstream expects full year 2024 net income of between $670 million and $720 million and Adjusted EBITDA of between $1,125 million and $1,175 million. Gross Adjusted EBITDA Margin[1] is targeted to be approximately 75% in 2024.

In 2024, Hess Midstream expects to generate Adjusted Free Cash Flow of between $685 million and $735 million and approximately $115 million at the midpoint of guidance after funding distributions that are targeted to grow at least 5% per annum on a distribution per Class A share basis.

In 2024, full year gas gathering volumes are anticipated to average between 415 and 425 million cubic feet ("MMcf") of natural gas per day and gas processing volumes are expected to average between 395 and 405 MMcf of natural gas per day, reflecting Hess' four-rig program in the Bakken.

Crude oil gathering volumes are anticipated to average between 105 and 115 thousand barrels ("MBbl") per day of crude oil in 2024, and crude oil terminaling volumes are expected to average between 120 and 130 MBbl of crude oil per day.

Water gathering volumes are expected to average between 105 and 115 MBbl of water per day for full year 2024.

Full Year 2024 Capital Guidance

Hess Midstream expects 2024 capital expenditures of between $250 million and $275 million. Approximately $125 million is allocated to ongoing capital expenditures for gathering system well connects to service Hess and third party customers and maintenance. Approximately $125 million to $150 million of the 2024 capital budget is allocated to project based capital expenditures including gas gathering system and compression expansions, with activities focused on the construction of greenfield high-pressure gathering pipeline infrastructure and two new compressor stations, which are expected to initially provide, in aggregate, an additional 85 MMcf per day of gas compression capacity when brought online in 2025 and are expandable to 140 MMcf per day, further enhancing gas capture capability and supporting increasing gas volumes as implied in established MVCs.

(1) Adjusted EBITDA, Gross Adjusted EBITDA Margin and Adjusted Free Cash Flow are non-GAAP measures. Definitions and reconciliations of these non-GAAP measures to GAAP reporting measures appear in the following pages of this release.

Full year 2024 guidance is summarized below:

		Year Ending December 31, 2024 (Unaudited)
Financials (*in millions*)		
Net income	$	670 - 720
Adjusted EBITDA	$	1,125 – 1,175
Capital expenditures	$	250 - 275
Adjusted free cash flow	$	685 - 735

	Year Ending December 31, 2024 (Unaudited)
Throughput volumes	
Gas gathering - MMcf of natural gas per day	415 - 425
Crude oil gathering - MBbl of crude oil per day	105 - 115
Gas processing - MMcf of natural gas per day	395 - 405
Crude terminals - MBbl of crude oil per day	120 - 130
Water gathering - MBbl of water per day	105 - 115

Minimum Volume Commitments

As part of the annual nomination process set forth in our long-term commercial contracts, Hess' MVCs were reviewed and updated based on Hess' volume nominations, which are based on Hess' expectations of its own volumes and third-party throughput volumes contracted through Hess. MVCs are set annually at 80% of Hess' nomination for the three years following each nomination. Once set, MVCs for each year can only be increased and not reduced.

	Hess Minimum Volume Commitments		
	2024	**2025**	**2026**
Gas Gathering Agreement - MMcf of natural gas per day	365	380	412
Crude Oil Gathering Agreement - MBbl of crude oil per day	101	100	105
Gas Processing and Fractionation Agreement - MMcf of natural gas per day	340	364	396
Terminaling and Export Services Agreement - MBbl of crude oil per day	114	111	117
Water Services Agreement - MBbl of water per day	92	99	101

Long-Term Financial Metrics

Supported by growth in physical volumes across gas, oil and water systems from 2024 through 2026 implied by the updated MVCs, Hess Midstream expects at least 10% per year growth in net income and Adjusted EBITDA in each of 2025 and 2026. Gas processing and gathering is expected to represent approximately 75% of total affiliate revenues in 2025 and 2026, excluding pass-through revenues. Gross Adjusted EBITDA Margin is targeted to be approximately 75% during this period. Hess Midstream does not expect to pay material cash taxes through 2025.

Hess Midstream expects capital expenditures of between $250 million and $275 million in each of 2025 and 2026, stable compared with 2024 levels. This includes ongoing capital expenditures of approximately $125 million and project capital expenditures of approximately $125 million to $150 million each year to support increasing gas volumes as implied in established MVCs. Project capital expenditures include planned investments in gas compression projects, greenfield high-pressure gathering lines and incremental gas processing capacity of approximately 125 MMcf per day, with construction planned to start in 2025 and expected to be online in 2027.

Adjusted Free Cash Flow is expected to grow by greater than 10% per year in 2025 and 2026, which is more than sufficient to fully fund targeted distribution growth. Long-term targeted leverage continues to be 3x Adjusted EBITDA and leverage is expected to decrease to below 2.5x Adjusted EBITDA by the end of 2025 and to continue below this level through 2026, before any potential unit repurchases as part of Hess Midstream's Return of Capital framework.

Return of Capital Framework

Hess Midstream is extending and increasing its Return of Capital framework through 2026:

1. Targeting annual distribution per Class A share growth of at least 5% through 2026, expected to be fully funded from Adjusted Free Cash Flow.

2. Greater than $1.25 billion of financial flexibility through 2026 for incremental shareholder returns, including potential unit repurchases, expected to be funded from excess free cash flow beyond targeted distribution growth and leverage capacity compared with our long-term target of 3x Adjusted EBITDA.

About Hess Midstream

Hess Midstream LP is a fee-based, growth-oriented midstream company that owns, operates, develops and acquires a diverse set of midstream assets to provide services to Hess and third-party customers. Hess Midstream owns oil, gas and produced water handling assets that are primarily located in the Bakken and Three Forks Shale plays in the Williston Basin area of North Dakota. More information is available at www.hessmidstream.com.

Reconciliation of U.S. GAAP to Non-GAAP Measures

In addition to our financial information presented in accordance with U.S. generally accepted accounting principles ("GAAP"), management utilizes certain additional non-GAAP measures to facilitate comparisons of past performance and future periods. "Adjusted EBITDA" presented in this release is defined as reported net income (loss) before net interest expense, income tax expense, depreciation and amortization and our proportional share of depreciation of our equity affiliates, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance, such as transaction costs, other income and other non-cash and non-recurring items, if applicable. We define "Adjusted Free Cash Flow" as Adjusted EBITDA less net interest, excluding amortization of deferred financing costs, cash paid for federal and state income taxes, capital expenditures and ongoing contributions to equity investments. We define "Gross Adjusted EBITDA Margin" as the ratio of Adjusted EBITDA to total revenues, less pass-through revenues. We believe that investors' understanding of our performance is enhanced by disclosing these measures as they may assist in assessing our operating performance as compared to other publicly traded companies in the midstream energy industry, without regard to historical cost basis or, in the case of Adjusted EBITDA, financing methods, and assessing the ability of our assets to generate sufficient cash flow to make distributions to our shareholders. These measures are not, and should not be viewed as, a substitute for GAAP net income or cash flow from operating activities and should not be considered in isolation. Reconciliations of Adjusted EBITDA and Adjusted Free Cash Flow to reported net income (GAAP) are provided below. Hess Midstream is unable to project net cash provided by operating activities with a reasonable degree of accuracy because this metric includes the impact of changes in operating assets and liabilities related to the timing of cash receipts and disbursements that may not relate to the period in which the operating activities occur. Therefore, Hess Midstream is unable to provide projected net cash provided by operating activities, or the related reconciliation of projected Adjusted Free Cash Flow to projected net cash provided by operating activities without unreasonable effort. Hess Midstream is unable to project pass-through revenues with a reasonable degree of accuracy. Therefore, Hess Midstream is unable to provide a reconciliation of Gross Adjusted EBITDA Margin without unreasonable effort.

	Guidance Year Ending December 31, 2024 (Unaudited)
(in millions)	
Reconciliation of Adjusted EBITDA and Adjusted Free Cash Flow to net income:	
Net income	$ 670 - 720
Plus:	
Depreciation expense*	210
Interest expense, net	185
Income tax expense	60
Adjusted EBITDA	$ 1,125 – 1,175
Less:	
Interest, net	180
Capital expenditures**	260
Adjusted free cash flow	$ 685 - 735

**Includes proportional share of equity affiliates' depreciation.*
***Approximate midpoint of $250 million to $275 million guidance range.*

Cautionary Note Regarding Forward-looking Information

This press release contains "forward-looking statements" within the meaning of U.S. federal securities laws. Words such as "anticipate," "estimate," "expect," "forecast," "guidance," "could," "may," "should," "would," "believe," "intend," "project," "plan," "predict," "will," "target," "imply" and similar expressions identify forward-looking statements, which are not historical in nature. Our forward-looking statements may include, without limitation: our

future financial and operational results; our business strategy; our industry; our expected revenues; our future profitability; our maintenance or expansion projects; our projected budget and capital expenditures and the impact of such expenditures on our performance; our ability to deliver ongoing return of capital to our shareholders and future economic and market conditions in the oil and gas industry.

Forward-looking statements are based on our current understanding, assessments, estimates and projections of relevant factors and reasonable assumptions about the future. Forward-looking statements are subject to certain known and unknown risks and uncertainties that could cause actual results to differ materially from our historical experience and our current projections or expectations of future results expressed or implied by these forward-looking statements. The following important factors could cause actual results to differ materially from those in our forward-looking statements: the ability of Hess and other parties to satisfy their obligations to us, including Hess' ability to meet its drilling and development plans on a timely basis or at all, its ability to deliver its nominated volumes to us, and the operation of joint ventures that we may not control; our ability to generate sufficient cash flow to pay current and expected levels of distributions; reductions in the volumes of crude oil, natural gas, natural gas liquids ("NGLs") and produced water we gather, process, terminal or store; the actual volumes we gather, process, terminal or store for Hess in excess of our MVCs and relative to Hess' nominations; fluctuations in the prices and demand for crude oil, natural gas and NGLs; changes in global economic conditions and the effects of a global economic downturn or inflation on our business and the business of our suppliers, customers, business partners and lenders; our ability to comply with government regulations or make capital expenditures required to maintain compliance, including our ability to obtain or maintain permits necessary for capital projects in a timely manner, if at all, or the revocation or modification of existing permits; our ability to successfully identify, evaluate and timely execute our capital projects, investment opportunities and growth strategies, whether through organic growth or acquisitions; costs or liabilities associated with federal, state and local laws, regulations and governmental actions applicable to our business, including legislation and regulatory initiatives relating to environmental protection and health and safety, such as spills, releases, pipeline integrity and measures to limit greenhouse gas emissions and climate change; our ability to comply with the terms of our credit facility, indebtedness and other financing arrangements, which, if accelerated, we may not be able to repay; reduced demand for our midstream services, including the impact of weather or the availability of the competing third-party midstream gathering, processing and transportation operations; potential disruption or interruption of our business due to catastrophic events, such as accidents, severe weather events, labor disputes, information technology failures, constraints or disruptions and cyber-attacks; any limitations on our ability to access debt or capital markets on terms that we deem acceptable, including as a result of weakness in the oil and gas industry or negative outcomes within commodity and financial markets; liability resulting from litigation; risks and uncertainties associated with Hess' proposed merger with Chevron Corporation; and other factors described in Item 1A—Risk Factors in our Annual Report on Form 10-K and any additional risks described in our other filings with the Securities and Exchange Commission.

As and when made, we believe that our forward-looking statements are reasonable. However, given these risks and uncertainties, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur and actual results may differ materially from those contained in any forward-looking statement we make. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

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